

our *style*
of SUCCESS



Milestones

1950s	<ul style="list-style-type: none"> ■ Humble beginnings—learning the trade of tanning
1977	<ul style="list-style-type: none"> ■ Established Heng Long Leather Company and converted to Heng Long Leather Co. (Pte) Ltd in 1979
1979 to 1990	<ul style="list-style-type: none"> ■ Business was largely Asian based with expanded activities including trading, tanning and finishing of crocodilian skins
1979 to 1992	<ul style="list-style-type: none"> ■ Erected new tannery at Defu Lane equipped with new tanning machinery to produce leather of international standard ■ Focused on value-added tanning activities ■ Invested in R&D concentrating on aesthetic and technical aspects of leather ■ Implemented two-pronged diversification strategy to focus on higher margin European markets and expanded end product usage
1990s	<ul style="list-style-type: none"> ■ Set up marketing channels in key international markets through appointments of exclusive agents and distributors ■ Participation in high-profile trade shows in Asia and Europe ■ Successfully diversified and expanded into Europe, home of the luxury and high-end fashion industry
1998	<ul style="list-style-type: none"> ■ The first reptile skin tannery in the world to be awarded the ISO 9001:2000 Certification
2002	<ul style="list-style-type: none"> ■ Increased production capacity by erecting a new floor to existing tannery
2005	<ul style="list-style-type: none"> ■ Further expansion of production and warehouse facilities through purchase of an additional factory
2008	<ul style="list-style-type: none"> ■ Listed on SGX Main board on the 9th of July as “Heng Long International Ltd.”

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a 50-year-old TRADITION

Heng Long International Ltd is one of the world's top five tanneries supplying top quality crocodilian leather globally to esteemed luxury and high-end fashion houses.

With a customer base that spans across Europe, Asia, North and South America, Africa and Australia, we enjoy international acclaim and support as a result of the exceptional characteristics and quality of our leather and reliability of our delivery.

We adopt a hands-on approach throughout the sourcing, tanning, and processing phases of our business to stay nimble and relevant to the market needs. With over 6000 square metres of production space in Singapore, and using state-of-the-art tanning facilities, we are able to produce high quality leather for supply to our ever increasing discerning customers who are predominantly in the luxury and high-end fashion industry for handbags, garments, shoes and boots, watch straps, and other accessories.





a *soft* touch

INNOVATION

Our innovative research team challenges technical boundaries to meet the changing and creative needs of the luxury and fashion industry.

We developed tanning techniques to produce luxuriously soft and light crocodilian leather for garments.

We pioneered the method of making Caiman leather pliable and supple for high-end fashionable western boots.

a keen *eye* ATTENTION TO DETAIL

As one of the leading players in the industry, Heng Long takes pride in ensuring every piece of hide is meticulously made with the hallmark of quality and luxury. Such passion and pursuit over the last 50 years had won us the continual trust and support of our customers and suppliers.

2008 marked our first year as a public company. We are pleased to announce a profit increase of 2.2% over 2007.

The luxury industry had remained relatively resilient during past economic downturns. However, the current severe global economic crisis has slowed consumer spending on luxury products. We expect 2009 to be a challenging year and will continue to work closely with our business partners to manage the impact of this slowdown.

Our dedicated management team has a combined experience of over 150 years, With our sourcing capabilities, consistency in product quality, strong relationship with customers, and healthy balance sheet, we are confident of steering the company through the current economic turmoil and strengthen our market position for the longer term.





Dear Shareholders,

It is my honour to address you in our inaugural annual report. Heng Long has indeed come a long way since our establishment in 1977 as we witnessed our transition from a humble crocodilian tannery located in the industrial precincts of Singapore, to one of the world's largest top-tier crocodilian tanneries respected by international luxury and high-end fashion houses today.

Prior to 1990, we focused on selling our products to the Asian markets. Recognizing that expansion into the international market could offer us the next burst of growth, we took our first major step into the international scene in 1990 by setting up marketing channels, appointing exclusive agents, and participating in international leather trade-shows in Europe, home to the world's most famous luxury and high-end fashion houses. Armed with invaluable knowledge of the global industry demand and potential market size, we undertook a major change in our business strategy in 1992 by diversifying our geographical and product base. At the same time, we erected a new tannery and expanded our production capacity to cope with expected increase in demand. Our strategy has provided us with additional sources of income through a more diverse customer base and allowed us to spread our risks across the business. Since then, Heng Long continues to grow and weather the economic troughs throughout the past sixteen years.

Today, I am proud that the company stands as one of the largest top-tier crocodilian tanneries in the world in terms of production capacity, serving a prominent base of 80 global customers across over 20 countries, and marked with a brand synonymous to excellent product quality of international standards.

growth

Celebrating a significant milestone - public listing on SGX Mainboard FY2008 was a significant and rewarding year worth celebrating for all stakeholders of Heng Long as we took our biggest move yet to publicly list the company on the Main board of SGX-ST on 9 July 2008. Whilst we were unsure if it was an ideal time to list the company amid inclement market conditions, we nevertheless went ahead because of the unified confidence of Heng Long's long-term growth potential shared among the stakeholders of the company.

To the new owners of Heng Long, I would like to extend my heartiest welcome and express my gratitude for sharing our vision and success.

vision

FY2008 – Record Financial Performance We are pleased with our FY2008 performance achieving a record high revenue and net profit of S\$68.2 million and S\$11.4 million respectively, signifying a year-on-year growth of 2.9% in revenue and 2.2% in net profit. As we operated our tannery at a higher capacity and fine-tuned our focus on segments that command higher margins, our gross profit margin improved 2.4 percentage points to 34.0%. This was achieved despite a global economic downturn that had resulted in a slowdown of customers' orders towards the end of the year. I am pleased to announce that the Board has recommended a first and final tax exempt, one-tier dividend of 1.28 cents per share.

FORESIGHT

Building long-term sustainability and Positioning for the upturn FY2009 will be a challenging year for us as we foresee that the global economy, and consequentially the global luxury goods market, may remain uncertain. Despite this, I personally subscribe to the notion that “every dark cloud has a silver lining”.

In FY2009, to ensure a stable stream of revenue and to maintain and enhance our market share, we intend to adopt a strategy of offering our customers in the luxury and high-fashion markets flexibility in our pricing and delivery. Whilst this may affect our margins in the short-term, we believe that it will strengthen our market position in the long-run when the global economy recovers.

In addition, we will continue to develop new markets such as China and Russia as we anticipate the emergence of “new” luxury consumer markets, an avenue for us to diversify our business further. Whilst Europe will remain as one of our major markets, we believe that countries in Asia, such as China, would be an important growth engine for us in the coming years.

On the supply side, we will increase our efforts to work closely with our key suppliers to manage the impact of the economic slowdown and to ensure that they raise crocodilians in their farms to produce long-term supply of good quality skins. Operating in an industry where there is a worldwide shortage of good quality skins, we believe our sourcing strategy of close cooperation with important suppliers, selective purchasing of skins and strong funding resources will further entrench our market position in the global supply chain.

Lastly, we will enforce greater cost control and management, however not at the expense of strategic and marketing efforts, and streamline our production workflow to increase our operating efficiency in the tannery.

All in all, we expect FY2009 to be a year in which we make adjustments to our business operations as we strategically position ourselves for the upturn.

Appreciation to all stakeholders of Heng Long The successful year culminating in our IPO and record performance in 2008 had been achieved through the synergies arising from the loyal support and dedication of our management and staff, strategic alliances and close cooperation with our business partners and associates, the unwavering faith of our shareholders and committed efforts of my fellow colleagues on the Board. I would like to express my heartfelt appreciation and thanks to all. With your continuous support and faith we believe Heng Long will weather the economic trough once again, and emerge stronger to face new opportunities and challenges ahead.

Koh Long Cheok
Non-Executive Chairman

亲爱的股东们

我非常荣幸能为大家发表首次的年度报告。

兴隆从1977年成立以来，走过了漫长的道路。我们见证了公司从位于新加坡工业区的一个简陋的鳄鱼皮制革厂，发展成为今天世界上最大的，受国际豪华和高档时尚品牌公司尊重的顶级鳄鱼皮制革商之一。

在1990年之前，我们着重于将公司的产品销售到亚洲市场。在意识到打入国际市场将会为公司提供下一个具有高度增长的机会后，我们迈出了踏上国际舞台的重要的第一步，于1990年建立营销渠道、指定专业的代理商、参加在欧洲的国际皮革贸易展。欧洲是世界最著名的奢侈品和高档时尚公司的发源地。

拥有对全球性这一行业的需求和潜在市场规模的宝贵知识带给我们很大的帮助。我们的业务策略在1992年进行了一次重大的改变，对销售区域和产品市场实行多样化。全时，我们也建立了一间新的鳄鱼皮革厂，扩大我们的生产能力以应付预期增加的需求。为了致力于提供优质皮革，我们在同年还设立了一个研发部门，专门用于提高我们皮革技术的改良和促进外观的优美。我们的策略是通过面对更多样化的客户群，提供了额外的收入来源，分散在业务上的风险，同时也扩展了我们的业务范围。

自那时以来，兴隆在过去十六年里经历了各个经济不同时期的起起伏伏，始终还是一直保持持续的增长。

今天，令我自豪的是，公司已成为世界上最大的顶级鳄鱼皮制革厂之一，供应给二十多个国家的80位国际客户。公司建立了产品质量优良的品牌全时也符合国际标准。

增长

庆祝一个重要的里程碑-在新加坡主板公开上市

对兴隆的所有投资者来说，2008财政年是重要且值得庆祝的一年。因为我们迈出了最重要的一步，就是于2008年7月9日在新加坡交易所主板公开上市。虽然我们不知道在市场条件如此恶劣的时候上市是不是个最理想的时机，但我们仍然毫不犹豫地这么做，由于公司所有的投资者都对兴隆的长期发展潜能抱着一致的信心。

对于兴隆的新股东，我谨致以最衷心的欢迎，同时也感谢大家能够与我们分享公司的远景和成果。

先见之明

2008财政年-财务业绩创历史最高纪录

我们对2008财政年度的业绩感到很满意，由于我们创造了销售收入和净利润的新纪录。销售收入为6,820万新币，净利润为1,140万新币，比去年同期分别增长2.9%和2.2%。由于皮制革厂的产量提高，并将产品重心调整到利润更高的部分，所以我们的毛利润率提高2.4个百分点，达到34.0%。

虽然经济放缓也导致了去年年底客户订单的下降，但是这一成果是在全球经济衰退的背景下取得的。

我很高兴地宣布，董事会已经建议分发第一个年终股息，每股1.28分新币。

远见

建立长期可持续发展和市场定位，迎接经济好转时刻的到来

对我们来说，2009财年看起来将会是充满挑战的一年。因为我们预见到全球经济和全球奢侈品市场，可能还存在不确定性。尽管如此，我个人还是认为，即“乌云底下都有一线曙光”。

在2009财政年，为了确保销售收入的稳定，并保持和扩大我们的市场份额，我们打算通过一项政策，即为奢侈品和高档时尚市场的客户在价格和交货方面给以优惠。虽然这可能会影响我们的短期利润，但我们仍然认为，从长远来看，这将加强我们的市场地位，尤其是当全球经济复苏的时候。

此外，我们将继续开发新市场，如中国和俄罗斯，因为我们预期它们将是“新的”奢侈品消费市场，也是一个扩大我们业务多样化的渠道。同时，欧洲将继续作为我们最重要的市场之一。我们认为，亚洲的一些国家，比如中国，将会是我们在今后几年里一个重要的增长动力。

我们也将尽量与主要供应商的密切合作，在共同面对经济衰退时刻，以确保他们继续饲养鳄鱼，从而使我们能获得长期优质皮革的供应。在一个全球优质皮革供应短缺的环境之下，我们相信，依靠我们雄厚的资金，与重要供应商密切合作，有选择性地采购皮革的采购策略，将进一步巩固我们在全球供应链中的市场地位。

最后，在不影响战略性与营销相关的努力情况下，我们将采取更严格的成本控制和管理，简化生产流程以增加皮革厂的经营效率。

总的来说，在2009年，我们将调整我们的业务运作和战略地位以迎接经济好转的到来。

感谢兴隆的所有股东

去年的成功上市，和2008年已经取得的良好业绩都应归功于供应商的真诚合作、热心的管理层和工作人员的支持与贡献，业务合作伙伴与战略联盟的密切合作、股东们坚定不移的信念，和董事会同事的共同努力的结果。我想再向所有的人表达我衷心的感谢。

有您的信心与不断支持，我们相信兴隆将会再次的度过这次的经济风暴，以更强大的姿态去面对前方全新的机遇和挑战。



许隆石
非执行主席



a *heritage* preserved

ONLY THE
FINEST

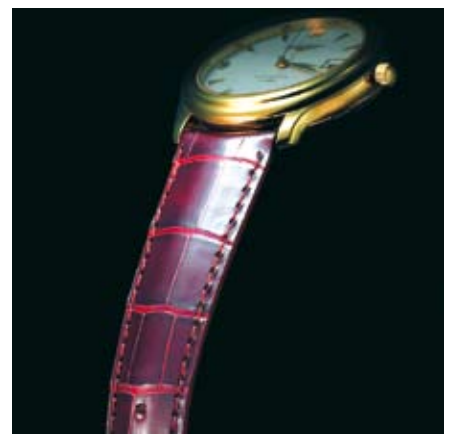
At Heng Long, people and technology come together in a unique blend of craftsmanship and advanced manufacturing techniques. The result is the finest quality leather, exported to countries worldwide.

fashioning quality & *style*

OUR CUSTOMERS

Heng Long has over 80 global direct customers, of which more than 70% are repeat customers comprising primarily distribution agents, traders and manufacturers of leather goods, including top global luxury and fashion houses.

Heng Long's leather supplied to its major customers and distributors are used by luxury watch brands, and prestigious luxury and fashion houses such as Prada, Stefano Ricci, Testoni, Nancy Gonzalez, and well-known local brands such as Kwanpen.



creating *results*

BUILDING ON KEY STRENGTHS



Income Statement Revenue in FY2008 increased by 2.9% from S\$66.2 million in FY2007 to S\$68.2 million in FY2008, while net profit increased by 2.2% from S\$11.1 million in FY2007 to S\$11.4 million in FY2008.

The main reason for revenue growth was due to the Group's focus in markets that command higher margins. In addition, the Group recorded a strong first nine months in FY2008. In the last quarter of FY2008, the Group experienced a slowdown in customers' orders due to the global economic downturn.

In terms of revenue contribution by geographical markets, Europe fared the best as demand for high-margin products was the strongest.

Europe contributed 60.3% of revenue or S\$41.1 million in FY2008, as compared to 57.5% or S\$38.1 million in FY2007. Asia Pacific contributed 23.6% or S\$16.1 million in FY2008, as compared to 24.7% or S\$16.3 million in FY2007. Americas (North and South America included) contributed 11.0% of revenue or S\$7.5 million in FY2008, as compared to 12.0% or S\$8.0 million in FY2007. The remaining contribution of 5.1% or S\$3.5 million in FY2008 comes collectively from other countries such as Australia, Middle East and Africa.

10.7%

INCREASE IN GROSS PROFIT



Gross profit increased by 10.7% from S\$20.9 million in FY2007 to S\$23.2 million in FY2008 mainly due to higher turnover and economies of scale achieved through increased production capacity in FY2008. As such, gross profit margin rose by 2.4 percentage points to 34.0%. Administrative expenses increased by 23.5% from S\$6.3 million in FY2007 to S\$7.8 million in FY2008 mainly due to additions in headcount and salaries as the Group strengthened the management team. Increased marketing efforts also contributed to the higher administrative expenditures.

Finance costs decreased by 51.1% from S\$1.4 million in FY2007 to S\$669,000 in FY2008 due to partial repayments in bank borrowings and loans owing to ultimate holding company and related company, as well as lower interest rates.

Total bank borrowings and loans owing to the ultimate holding company and related company decreased from S\$38.2 million at end 2007 to S\$22.9 million at end 2008.

Due to its IPO in July 2008, the Group incurred a one-off charge of non tax-deductible share issue expenses of S\$768,000 in FY2008.

key strengths

Maintained profitability

Internationally renowned brand

Experienced management team

Entrenched relationships with
customers & suppliers

Advanced & innovative manufacturing



Balance Sheet Current assets increased by 18.2% from S\$91.5 million at end 2007 to S\$108.1 million at end 2008, of which S\$78.6 million were attributed to inventories. Inventory levels recorded an increase of 5.5% from S\$74.5 million at end 2007 to S\$78.6 million at end 2008, mainly due to the Group's sourcing strategy of ensuring long-term supply of good-quality crocodilian skins.

Trade and other receivables, which comprise mainly trade receivables and advances to suppliers, rose by 31.9% from S\$16.0 million at end 2007 to S\$21.2 million at end 2008 mainly due to an increase in collection days on sales to long-term customers. Total assets increased by 16.8% from S\$96.3 million at end 2007 to S\$112.5 million at end 2008.

Trade and other payables increased by 21.1% from S\$3.8 million at end 2007 to S\$4.6 million at end 2008 due to a rise in accrued operating expenses.

Total bank borrowings decreased by 44.8% from S\$27.8 million at end 2007 to S\$15.3 million at end 2008. The reduction is due to partial repayments of S\$5.0 million of bank loans from the IPO proceeds, as indicated in the section of IPO Prospectus titled "Use of Proceeds" and further reductions in bank borrowings with funds generated from operations.

The amounts owing to related company under current and non-current liabilities totalling S\$7.6 million at end 2008, are amounts owing to Heng Long Investment Pte. Ltd. as disclosed in the "Interested Person Transactions" section of the IPO Prospectus, and are repayable in the manner disclosed therein.

Total liabilities decreased by 31.0% from S\$44.6 million at end 2007 to S\$30.8 million at end 2008.

16.8%

INCREASE IN TOTAL ASSETS



Executive Director Koh Choon Heong (left) and Managing Director Koh Chon Tong

Cash Flow Statement Net cash generated from operating activities stood at S\$4.1 million in FY2008. This comprised of operating profit before working capital changes of S\$15.4 million adjusted for net working capital changes of S\$8.3 million, interest expense paid of S\$938,000 and income tax paid of S\$2.1 million.

Net cash generated from operating activities fell from S\$6.2 million in FY2007 to S\$4.1 million in FY2008 due to the increase in inventories of S\$4.1 million and increase in operating receivables of S\$5.1 million. Net working capital outflow was offset by an increase in operating payables of S\$889,000.

Net cash used in investing activities maintained stable at S\$208,000 in FY2008.

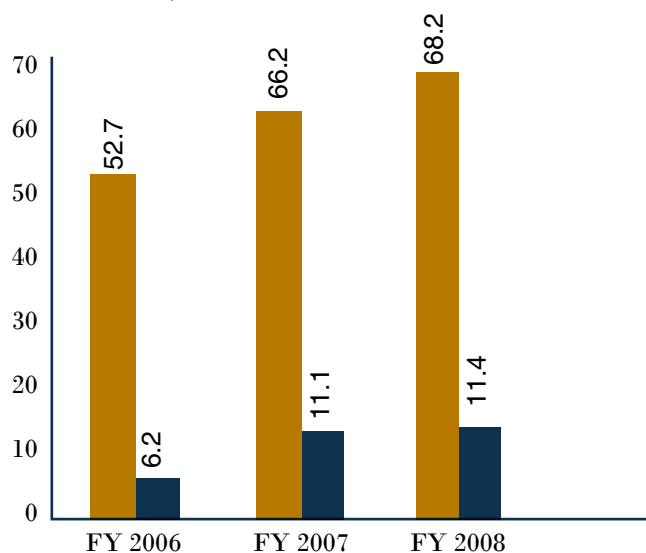
Net cash generated from financing activities amounted to S\$3.7 million in FY2008, a turnaround from a negative S\$5.0 million in FY2007. The increase was mainly due to the receipt of S\$23.1 million IPO proceeds from the issue of shares of the Company.

Cash and cash equivalents increased from S\$708,000 at end 2007 to S\$8.3 million at end 2008.

FINANCIAL HIGHLIGHTS

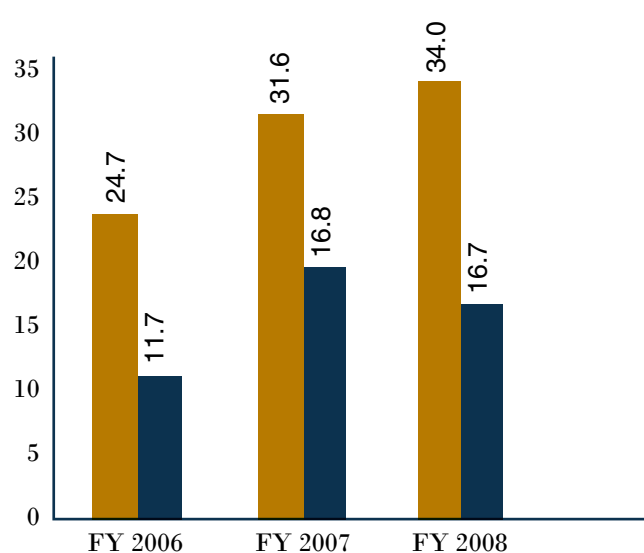
REVENUE & NET PROFIT

(S\$ Million)



GROSS MARGIN & NET MARGIN

%



REVENUE BY GEOGRAPHICAL MARKETS



Europe	S\$ 41.1 Million (60.3%)
Asia Pacific	S\$ 16.1 Million (23.6%)
Americas	S\$ 7.5 Million (11.0%)
Others	S\$ 3.5 Million (5.1%)
Total	S\$ 68.2 Million



being *green*

ENVIRONMENTALLY FRIENDLY PRACTICES

Heng Long demonstrates leadership and responsibility in promoting the conservation and sustainable use of crocodylians as renewable natural resources by working closely with relevant government and non-government organisations. The activities of the company comply with international regulations set by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Being a founding member of the Singapore Reptile Skin Trade Association (SRSTA), Heng Long spearheads activities and makes recommendations to the government on matters relating to the reptile skin trade industry.

Heng Long is actively involved in the Crocodile Specialist Group (CSG), an international non-government organisation committed to the protection and conservation of endangered crocodylian species. Two of the directors of the Group are steering committee members of the CSG.

Heng Long's belief in the sanctity of the environment is an important facet of its operating philosophy. The tannery is equipped with an efficient pollution control system to treat all effluent in compliance with strict environmental regulations of the government.

BOARD OF DIRECTORS



Koh Long Cheok
Non-Executive Chairman

Koh Long Cheok is the Non-Executive Chairman of our Group. He has over 60 years of experience in all aspects of the exotic skins industry, including the sourcing, grading, tanning and trading of exotic skins. Koh Long Cheok has been a director of Heng Long Leather since its incorporation in 1979 and has played a pivotal role in the growth and development of our Group from a traditional crocodilian tannery to an international crocodilian tannery. He has successfully guided the transition of the management of the Group to a new generation.



Koh Chon Tong
Managing Director

Koh Chon Tong is our Managing Director. He has over 30 years of experience in the exotic skins industry and has been the managing director of Heng Long Leather since its incorporation in 1979. He is involved in the formulation of our Group's strategic direction and expansion plans, and managing our Group's overall business development. In addition, he oversees our sales and marketing department and the day-to-day operations of our Group. Koh Chon Tong was responsible for improving our production processes which led to our ISO 9002 award in 1998, making Heng Long Leather amongst the first reptile skin tanneries in the world to be so awarded. Koh Chon Tong obtained his Diploma in Business Studies from Ngee Ann Technical College in 1974. Koh Chon Tong is the co-founder of the Singapore Reptile Skin Trade Association and has been its secretary since its establishment in 1987.



Koh Choon Heong
Executive Director

Koh Choon Heong is our Executive Director and joined our Group in 1992. He is responsible for overseeing the purchasing, finance and sales operations of our Group. Prior to joining our Group in 1992, Koh Choon Heong was a director of the Prebon group of financial broking companies, heading its regional finance and futures broking divisions. Koh Choon Heong obtained a Bachelor of Accountancy degree from the University of Singapore (now known as the National University of Singapore) in 1978. Koh Choon Heong was admitted as an Associate of the Institute of Chartered Accountants in England and Wales in 1982 and has also been a non-practising member of the Institute of Certified Public Accountants of Singapore since 1983. He is currently a deputy vice-chairman in the industry group of the steering committee in the IUCN-Crocodile Specialist Group (CSG).



Ang Miah Khiang
Lead Independent Director

Ang Miah Khiang was appointed Lead Independent Director on 12 May 2008. He is currently Executive Director, DP Information Network Pte Ltd, a business and credit information bureau. Prior to this, he was the Managing Director of GE Commercial Financing (Singapore) Ltd as well as regional director for GE related businesses. Ang Miah Khiang is a Fellow of the Institute of Certified Public Accountants of Singapore and holds a Bachelor of Accountancy degree from the University of Singapore (now known as the National University of Singapore). He is also an independent director of several other listed companies.



Soh Gim Teik
Independent Director

Soh Gim Teik was appointed Independent Director on 12 May 2008. He was formerly the Finance Director and Chief Financial Officer of Sincere Watch Limited, responsible for the financial, legal and related corporate matters including corporate communications and investor relations of the Sincere Watch group. He also serves on the boards of other listed companies such as Craft Print International Limited, Advanced Holdings Ltd, BBR Holdings (S) Ltd and is also an Independent Director and the Non-Executive Chairman of UMS Holdings Limited. Soh Gim Teik was previously the founding partner of Soh, Wong & Partners and was involved in audit, management and consultancy, and judicial management work. He holds a Bachelor of Accountancy from the then University of Singapore (now known as the National University of Singapore), is a non-practising member of the Institute of Certified Public Accountants of Singapore (ICPAS) and has been the Chairman of the CFO Committee of the ICPAS since 2006. He is also a member of the Professional Accountants in Business Committee of the International Federation of Accountants (IFAC).



Dr Giam Choo Hoo
Independent Director

Dr Giam Choo Hoo was appointed Independent Director on 12 May 2008. He is currently an independent consultant on international wildlife conservation. From 1961 until his retirement in 1995, he was the Deputy-Director of the Primary Production Department, Ministry of National Development, Singapore (now known as the AVA). Holding a veterinary degree from the University of Liverpool (UK), he became a member of the Royal College of Veterinary Surgeons of England in 1961. Dr Giam has been actively involved in the United Nations CITES for more than 20 years. He was the leader of the Singapore CITES delegations at the UN Conferences of the Parties from 1986 to 1995. Since 1994, he has remained a member of the CITES Animals Committee. Dr Giam was a founding board member of Jurong Bird Park and retired as its Deputy Chairman in 1996. He was a President of the Singapore Veterinary Association and the Association of Veterinary Surgeons Malaysia/Singapore. He has been for many years the Singapore Representative to the Commonwealth Veterinary Association, and remains an active participant. Dr Giam is also a committee member of the IUCN-Crocodile Specialist Group Steering Committee.

KEY EXECUTIVES

Irene Wee Hong Lee

Accounts Manager

Irene Wee Hong Lee is our Accounts Manager and joined our Group in 1998. She is responsible for overseeing the day-to-day accounts operation of our Group. She has over 14 years of experience in accounting. Prior to joining our Company, she was the assistant accounts manager of Bell & Order Engineering Pte Ltd from 1994 to 1998 where she was responsible for overseeing the accounts department and implementing and enhancing accounting policies and control systems. Irene Wee Hong Lee obtained a Bachelor of Business (Accountancy) degree from the Royal Melbourne Institute of Technology in 2002 and a Diploma in Business from Temasek Polytechnic in 1993.

Koh Weikang

Production Co-ordinator/Payroll Manager

Koh Weikang is our factory Production Co-ordinator and Payroll Manager. He joined our Group in 2008. As Production Co-ordinator, he assists the Production Manager and Technical Manager in production planning, daily manufacturing operation and process quality control. As Payroll Manager, Koh Weikang is responsible for overseeing payroll functions and ensuring the smooth administration of the monthly and annual payroll matters of the Group. Koh Weikang obtained a Bachelor of Commerce in Management and Marketing Management from Murdoch University, Perth, Western Australia in 2008.

Liu Wen Ang

Technical Manager

Liu Wen Ang is our Technical Manager and joined our Group in 2006. He has over 30 years of experience in leather chemicals and technology. Liu Wen Ang is responsible for our research and development functions including product development, monitoring the technical quality of our products and providing technical advice and support to our customers. From 1990 to 2006, he was the application manager in the leather chemicals division of Stahl Asia Pte Ltd, responsible for new product development, co-ordinating the running of its technical application lab and attending leather fairs. Liu Wen Ang graduated with a Diploma of Animal Science from Taiwan National Pingtung College of Agriculture in 1976.

Lu Ee Fong

Factory Manager

Lu Ee Fong is our Factory Manager and joined our Group in 1996. He is responsible for planning, organising and controlling production resources and overall plant maintenance. He has over 17 years of technical and management experience in engineering. He joined our Company in 1996 as its maintenance manager and subsequently was promoted to factory manager in 1998. From 1994 to 1996, he was a manufacturing and process engineer with Specialty Electronics (S) Pte Ltd and was responsible for the assembly line transfer activity from the United States. From 1989 to 1994, he was a manufacturing and process engineer with Walbro Singapore Pte Ltd. Lu Ee Fong obtained a Bachelor of Science degree in Business and Management Studies from the University of Bradford in 1998 and a Bachelor of Engineering degree from the Royal Melbourne Institute of Technology in 2007.

Ong Guek Yang

Human Resource Manager

Ong Guek Yang is our Human Resource Manager and joined our Group in 2007. She is responsible for overseeing the human resources matters of our Company. Prior to joining our Company, she was a human resource specialist in AP Communications Pte Ltd, a marketing and event company, from 2006 to 2007, responsible for proposing and implementing human resources initiatives. From 2002 to 2006, she was a human resource executive at Orchid Country Club responsible for human resources matters such as welfare projects and training and development functions. From 2000 to 2002, she was a human resource executive in Network Foods International Ltd and from 1997 to 2000, she was a payroll assistant of Tricon Restaurants Singapore Ltd. Ong Guek Yang graduated with a Graduate Diploma in Human Capital Management from the Singapore Human Resources Institute in 2005.

Phan Yeok Seng

Quality Management Manager

Phan Yeok Seng is our Quality Management Manager and joined our Group in 1997. He is currently responsible for establishing, implementing and maintaining quality management processes and the inspection of all incoming raw skins. Prior to joining Heng Long Leather Company, he was an assistant quality control manager with Superview Technology Pte Ltd from 1994 to 1997 and a senior quality control technician with Mitsubishi Electronics Manufacturing Singapore Private Limited from 1984 to 1994. Phan Yeok Seng obtained a Diploma in Industrial Relations from the Institute of Labour Studies, Singapore in 1994.

Tan Soo Leng

Payroll Manager

Tan Soo Leng joined our Group in 1986, responsible for overseeing our payroll functions and ensuring the smooth administration of the monthly and annual payroll matters of the Group. Tan Soo Leng retired from the Group on 31 March 2009.

Toh Kheng Song

Treasury and Corporate Affairs Manager

Toh Kheng Song is our Treasury and Corporate Affairs Manager and joined our Group in 1988. Her current responsibilities include matters relating to treasury functions, maintenance of relationships with banks, inbound and outbound logistics and shipping arrangements as well as invoicing matters. Toh Kheng Song graduated with a Bachelor of Accountancy degree from the University of Singapore (now known as the National University of Singapore) in 1978 and has been a non-practising Member of the Institute of Certified Public Accountants of Singapore since 1998.

Board of Directors

Koh Long Cheok, Non-Executive Chairman
Koh Chon Tong, Managing Director
Koh Choon Heong, Executive Director
Ang Miah Khiang, Lead Independent Director
Soh Gim Teik, Independent Director
Dr Giam Choo Hoo, Independent Director

Key Executives

Irene Wee Hong Lee, Accounts Manager
Koh Weikang, Production Co-ordinator/Payroll Manager
Liu Wen Ang, Technical Manager
Lu Ee Fong, Factory Manager
Ong Guek Yang, Human Resource Manager
Phan Yeok Seng, Quality Management Manager
Tan Soo Leng, Payroll Manager
 (retired on 31 March 2009)
Toh Kheng Song, Treasury & Corporate Affairs Manager

Audit Committee

Soh Gim Teik, Chairman
Ang Miah Khiang
Dr Giam Choo Hoo

Nominating Committee

Ang Miah Khiang, Chairman
Soh Gim Teik
Dr Giam Choo Hoo

Remuneration Committee

Ang Miah Khiang, Chairman
Soh Gim Teik
Dr Giam Choo Hoo

Independent Auditor

Foo Kon Tan Grant Thornton
 Public Accountants and
 Certified Public Accountants
 47 Hill Street #05-01
 Singapore Chinese Chamber
 of Commerce & Industry Building
 Singapore 179365

Partner-in-charge: Yeo Boon Chye
 (appointed since FY 2007)

Company Secretary

Wee Woon Hong, LLB (Hons)

Registered Office

50 Defu Lane 7
 Singapore 539356

Share Registrar

B.A.C.S. Private Limited
 63 Cantonment Road
 Singapore 089758

Principal Bankers

**ABN AMRO Bank N.V.,
 Singapore Branch**
 Level 23
 One Raffles Quay
 South Tower
 Singapore 048583

DBS Bank Ltd

6 Shenton Way
 DBS Building Tower One
 Singapore 068809

Oversea-Chinese Banking Corporation Limited

65 Chulia Street
 OCBC Centre
 Singapore 049513

United Overseas Bank Limited

80 Raffles Place
 UOB Plaza
 Singapore 048624



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REPORT OF CORPORATE GOVERNANCE

The listing rules as stated in the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) require an issuer which holds its Annual General Meeting (“AGM”) on or after 1 January 2003 to describe its corporate governance policies in its annual report.

The Company has, since its listing on the SGX-ST on 9 July 2008, put in place various policies and practices that will safeguard the interests of shareholders and enhance shareholders’ value as part of its effort to maintain high standards of corporate governance. This section outlines the main corporate governance practices and procedures adopted by the Company.

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective board to lead and control the company.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group.

Matters which specifically require the Board’s decision or approval are those involving:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors for appointment to the Board and appointment of key personnel;
- announcement of quarterly, half-year and full-year results, the annual report and accounts;
- material acquisitions and disposal of assets; and
- all matters of strategic importance.

The Board is assisted by the various committees. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee, all of which operate within clearly defined terms of reference and functional procedures.

To get a better understanding of the Group’s business, the Directors are also given the opportunity to visit the Group’s operational facilities and meet with the Management.

The number of meetings held after the Company was listed on 9 July 2008 and attended by each member of the Board is as follows:

Name of Director	Number of Meetings held	Attendance
Koh Long Cheok	2	2
Koh Chon Tong	2	2
Koh Choon Heong	2	2
Ang Miah Khiang	2	2
Soh Gim Teik	2	2
Dr Giam Choo Hoo	2	2

Board Composition and Balance

Principle 2: There should be a strong and independent element in the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the board’s decision making.

REPORT OF CORPORATE GOVERNANCE

The Board currently comprises:

Non-Executive Director

Mr Koh Long Cheok, Non-Executive Chairman

Executive Directors

Mr Koh Chon Tong, Managing Director

Mr Koh Choon Heong, Executive Director

Independent Directors

Mr Ang Miah Khiang

Mr Soh Gim Teik

Dr Giam Choo Hoo

The independence of each Director is reviewed annually by the Nominating Committee (“NC”). The NC adopts the definition in the Code of Corporate Governance issued on 21 March 2001 and amended in 2005 as to what constitutes an independent director in its review to ensure that the Board consists of persons who, together, will provide core competencies necessary to meet the Company’s objectives. The NC is of the view that Mr Ang Miah Khiang, Mr Soh Gim Teik and Dr Giam Choo Hoo are independent.

The Board through the NC has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board’s decision-making process.

There is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in accounting, finance, business and management and strategic planning.

Chairman and Executive Directors

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the board and the executive responsibility of the company’s business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

There is a clear division of responsibilities between the Chairman and Executive Directors, which ensures there is a balance of power and authority at the top of the Group. The Group keeps the posts of Chairman and Executive Directors separate. Mr Koh Long Cheok is the Non-Executive Chairman while Mr Koh Chon Tong and Mr Koh Choon Heong are the Managing Director and Executive Director respectively. The Chairman leads the Board and is responsible for its workings and proceedings. The Managing Director and Executive Director are responsible for the conduct of the Group’s daily business operations.

As Mr Koh Long Cheok, is the father of both our Managing Director, Mr Koh Chon Tong and our Executive Director, Mr Koh Choon Heong, the Board has appointed Mr Ang Miah Khiang as the lead independent Director to co-ordinate and to lead the independent Directors to provide non-executive prospective and contribute a balanced viewpoint to the Board.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

Under the Articles of Association of the Company, all Directors are required to submit themselves for re-nomination and re-election every three years.

REPORT OF CORPORATE GOVERNANCE

The NC comprises three independent Directors, namely Mr Ang Miah Kiang, Mr Soh Gim Teik and Dr Giam Choo Hoo. The Chairman of the NC is Mr Ang Miah Kiang. The NC has written terms of reference that describe the responsibilities of its members.

The principal functions of the NC are as follows:

- to review and recommend the nomination or re-nomination of the Directors having regard to the Director's contribution and performance;
- to determine on an annual basis whether or not a Director is independent;
- to assess the performance of the Board and contribution of each Director to the effectiveness of the Board; and
- to review and approve any new employment of related persons and the proposed terms of their employment.

Key information regarding the Directors is set out under the "Board of Directors" Section of this annual report.

The number of meetings held and the attendance thereat during the financial year are as follows:

Name of Director	Appointment	Number of Meetings held	Attendance
Ang Miah Kiang	Chairman	1	1
Soh Gim Teik	Member	1	1
Dr Giam Choo Hoo	Member	1	1

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the board as a whole and contribution by each director to the effectiveness of the board.

The NC decides on how the Board's performance is to be evaluated and to propose objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

Access to Information

Principle 6: In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

Directors are furnished regularly with information from Management about the Group as well as the relevant background information relating to the business to be discussed at Board meetings. The Directors are also provided with the contact details of the Company's Senior Management and Company Secretary to facilitate separate and independent access.

The Company Secretary attends all Board meetings. Together with members of the Company's Management, the Company Secretary is responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST are complied with. Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as Director.

REPORT OF CORPORATE GOVERNANCE

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises three independent Directors, namely Mr Ang Miah Khiang, Mr Soh Gim Teik and Dr Giam Choo Hoo. The Chairman of the RC is Mr Ang Miah Khiang. The RC has written terms of reference that describe the responsibilities of its members.

The RC was formed to recommend to the Board a framework of remuneration for the Directors and Senior Management and to determine specific remuneration packages for each executive Director. The RC should cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind.

The number of meetings held and the attendance thereat during the financial year are as follows:

Name of Director	Appointment	Number of Meetings held	Attendance
Ang Miah Khiang	Chairman	1	1
Soh Gim Teik	Member	1	1
Dr Giam Choo Hoo	Member	1	1

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of remuneration, especially those of executive directors, should be linked to performance.

The Company has a remuneration policy, which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary and a variable bonus, which takes into account the performance of the Company and the performance of the individual Director.

The independent Directors do not have service agreements with the Company. They are paid fixed Directors' fees, which are determined by the Board, appropriate to the level of their contribution, taking into account factors such as the effort and time spent and the responsibilities of the independent Directors. The fees are subject to approval by the shareholders at each AGM. Except as disclosed, the independent Directors do not receive any other remuneration from the Company.

The Company had entered into service agreements with the two executive Directors, namely Mr Koh Chon Tong and Mr Koh Choon Heong on 9 May 2008 for a period of two years commencing from 1 January 2008. These service agreements are subject to automatic renewal on a yearly basis on such terms and conditions as may be agreed with the Company.

The Company does not have any employee share option scheme or other long-term employee incentive scheme.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration and the procedures for setting remuneration in the company's annual report.

REPORT OF CORPORATE GOVERNANCE

A breakdown, showing the level and mix of each individual Director's remuneration in FY2008 is as follows:

	Fees#	Fixed	Variable/ Performance	Other	Total
	%	Salary	related Bonuses	Benefits	%
		%	%	%	%
Executive Directors					
Above \$250,000					
Koh Chon Tong	–	48	51	1	100
Koh Choon Heong	–	42	56	2	100
Non-executive/Independent Directors					
Below \$250,000					
Koh Long Cheok	100	–	–	–	100
Ang Miah Khiang	100	–	–	–	100
Soh Gim Teik	100	–	–	–	100
Dr Giam Choo Hoo	100	–	–	–	100

Note:

These fees are subject to the approval of the shareholders at the forthcoming AGM.

A breakdown, showing the level and mix of top key executives in FY2008 is as follows:

	Fixed	Variable/ Performance	Other	Total
	Salary	related Bonuses	Benefits	%
	%	%	%	%
Key Executives				
Below \$250,000				
Irene Wee Hong Lee	60	33	7	100
Liu Wen Ang	76	1	23	100
Lu Ee Fong	92	6	2	100
Ong Guek Yang	98	2	–	100
Phan Yeok Seng	85	13	2	100
Tan Soo Leng ⁽¹⁾	100	–	–	100
Toh Kheng Song ⁽²⁾	100	–	–	100

Notes:

(1) Mdm Tan Soo Leng is the spouse of Mr Koh Chon Tong. Mdm Tan retired from the Group on 31 March 2009.

(2) Mdm Toh Kheng Song is the spouse of Mr Koh Choon Heong.

Saved as disclosed, there is no employee of the Group who is an immediate family member of any Director whose remuneration exceeds \$150,000 during the financial year.

Accountability

Principle 10: The board is accountable to the shareholders while the management is accountable to the board.

For the financial performance reporting via the SGXNET announcement to SGX-ST, and the annual report to the shareholders, the Board has a responsibility to present a fair assessment of the Group's financial position, including the prospects of the Group.

The Board ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

REPORT OF CORPORATE GOVERNANCE

The Management will provide all members of the Board with management accounts of the Group's performance, with explanatory details on its operations on a quarterly basis. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making.

Audit Committee

Principle 11: The board should establish an audit committee with written terms of reference which clearly sets out its authority and duties.

The Audit Committee ("AC"), which has written terms of reference clearly setting out its authority and duties, is made up of three independent Directors, namely Mr Soh Gim Teik, Mr Ang Miah Khiang and Dr Giam Choo Hoo. The Chairman of the AC is Mr Soh Gim Teik. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC schedules a minimum of four meetings in each financial year. The meetings are held, *inter alia*, for the following purposes:-

- to review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to Management and Management's response;
- to review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Listing Manual and any other relevant statutory or regulatory requirements;
- to review the internal control procedures and ensure co-ordination between the external auditors and Management, and review the assistance given by Management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of Management, where necessary);
- to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;
- to consider and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- to review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;
- to review potential conflicts of interests (if any);
- to review and approve all hedging policies and instruments (if any) to be implemented by the Group;
- to undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- to review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding *inter alia*, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group; and
- generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

In addition, the AC is given the task to commission investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation, which has or is likely to have a material impact on the Company's operating results or financial position, and to review the findings thereof.

The AC meets with the external auditors, without the presence of Management, at least annually, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the auditors.

The AC confirms that it has undertaken a review of all non-audit services provided by the auditors and that such non-audit services would not, in the AC's opinion, affect the independence of the auditors. In the AC's opinion, Foo Kon Tan Grant Thornton is suitable for re-appointment and it has accordingly recommended to the Board that Foo Kon Tan Grant Thornton be nominated for re-appointment as auditors of the Company at the forthcoming AGM.

REPORT OF CORPORATE GOVERNANCE

The AC is in the process of establishing the whistle-blowing policy for the Group with the objective of providing an avenue for staff to raise in confidence, concerns about possible incorporate improprieties.

The number of meetings held and the attendance thereat during the financial year are as follows:

Name of Director	Appointment	Number of Meetings held	Attendance
Soh Gim Teik	Chairman	2	2
Ang Miah Khiang	Member	2	2
Dr Giam Choo Hoo	Member	2	2

Internal Controls

Principle 12: The board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's Management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices and the identification and management of business risks.

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The AC is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has therefore appointed a professional firm to undertake the functions of an internal auditor.

The AC meets with the internal auditors, without the presence of Management, at least annually, to review the adequacy of audit arrangements.

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. Other than the routine announcements made in accordance with the requirements of the Listing Manual, the Company has issued additional announcements and press releases to update shareholders on the activities of the Company and the Group during the year.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released before the Company meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period (and where this is not possible, relevant extensions of time are sought in accordance with applicable laws, regulations and rules).

REPORT OF CORPORATE GOVERNANCE

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All shareholders of the Company will receive the Company's annual report and notice of AGM. At AGM, shareholders will be given the opportunity and time to air their views and ask Directors or the Management questions regarding the Company.

The Articles of Association of the Company allow members of the Company to appoint proxies to attend and vote on their behalf.

Dealing in Securities

The Company has adopted policies in line with the requirements of the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month and two weeks before the date of the announcement of the full-year or half-year, and quarterly results respectively and ending on the date of the announcement of the relevant results.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

The AC reviewed the following significant transactions entered into by the Company with its interested persons for the financial year ended 31 December 2008 in accordance with its existing procedures:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
(I) <u>Heng Long Holdings Pte. Ltd.</u>		
(a) Interest charge to the Group ⁽ⁱ⁾	\$11,742	–
(b) Rental of vehicle ⁽ⁱⁱ⁾	\$60,000	–
(II) <u>Heng Long Investment Pte. Ltd.</u>		
(a) Interest charge to the Group ⁽ⁱ⁾	\$99,598	–

Notes:

(i) Interest payable on any outstanding amount were based on the average of the prevailing 3 months-average fixed deposit and short-term loan interest rates of our principal bankers. This is pertaining to the total loan of \$10.4 million owing by the Group as of 31 December 2007, as disclosed in "Past Transactions" section of the Prospectus.

(ii) The annual rental of \$60,000 was based on current market rate of \$5,000 quoted for same model.

The Board confirms that each of these interested person transactions was entered into on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the shareholders of the Company.

The full details of each of these interested person transactions can be found in the section of the Prospectus dated 26 June 2008 titled "Interested Person Transactions".

Material Contracts and Loans

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Report of Directors and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Executive Directors or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

Use of IPO Proceeds

The Company raised a net IPO proceeds of \$21.4 million from the initial public offering of its shares. As at 31 March 2009, the Company had utilised approximately \$21.0 million of the IPO proceeds as follows:

- (a) \$16.0 million for strengthening our sourcing capabilities and to fund general working capital requirements; and
- (b) \$5.0 million for repayment of bank loans.

REPORT OF THE DIRECTORS

The directors submit this annual report to the members together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 2008.

Names of directors

The directors in office at the date of this report are:

Koh Long Cheok (Non-Executive Chairman)	(appointed on 12 May 2008)
Koh Chon Tong (Managing Director)	
Koh Choon Heong (Executive Director)	
Ang Miah Khiang (Lead Independent Director)	(appointed on 12 May 2008)
Soh Gim Teik (Independent Director)	(appointed on 12 May 2008)
Dr Giam Choo Hoo (Independent Director)	(appointed on 12 May 2008)

Arrangements to acquire shares or debentures

During and at the end of the financial year, neither the Company nor its subsidiary was a party to any arrangement the object of which was to enable the directors to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body.

Directors' interest in shares or debentures

According to the Register of Directors' shareholdings kept by the Company under section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year was interested in shares or debentures of the Company and its related corporations except as follows:

	Number of ordinary shares fully paid			
	Shares registered in the name of director		Shares in which director is deemed to have an interest	
	As at 1.1.2008/ date of appointment if later	As at 31.12.2008	As at 1.1.2008/ date of appointment if later	As at 31.12.2008
<u>The Company - Heng Long International Ltd.</u>				
Koh Long Cheok	–	4,000,000	–	4,000,000
Koh Chon Tong	2	–	–	179,018,000
Koh Choon Heong	–	–	–	179,018,000
Ang Miah Khiang	–	150,000	–	–
Soh Gim Teik	–	150,000	–	550,000
Dr Giam Choo Hoo	–	150,000	–	–

The immediate and ultimate holding company - Heng Long Holdings Pte. Ltd.

Koh Long Cheok	1,087,362	1,087,362	1,087,362	1,087,362
Koh Chon Tong	–	–	4,349,446	4,349,446
Koh Choon Heong	–	–	4,349,446	4,349,446

There are no changes to the above shareholdings as at 21 January 2009.

Mr Koh Chon Tong and Mr Koh Choon Heong, by virtue of the provisions of Section 7 of the Companies Act, Cap. 50, are deemed to be interested in the whole of the issued share capital of all the wholly-owned subsidiaries of the ultimate holding company.

Directors' benefits

Except for salaries, bonuses and fee that are disclosed in this report and in notes 22 and 25 to the financial statements, since the end of the previous financial year, no director has received or has become entitled to receive a benefit under a contract which is required to be disclosed under Section 201(8) of the Companies Act, Cap. 50.

Share options

No options were granted during the financial year to take up unissued shares of the Company or any subsidiary.

No shares were issued during the financial year to which this report relates by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

There were no unissued shares under option at the end of the financial year.

Audit Committee

The members of the audit committee at the end of the financial year were as follows:

Soh Gim Teik (Chairman)
Ang Miah Khiang
Dr Giam Choo Hoo

The audit committee performs the functions set out in Section 201B(5) of the Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading ("SGX-ST") and the Code of Corporate Governance 2005. In performing its functions, the committee reviewed the following:

- (i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditor. It met with the Company's internal and external auditor to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;
- (ii) the quarterly financial information and the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2008 as well as the independent auditor's report thereon; and
- (iii) interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan Grant Thornton, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

REPORT OF THE DIRECTORS

Auditor

The auditor, Foo Kon Tan Grant Thornton, Certified Public Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

KOH CHON TONG

KOH CHOON HEONG

Dated: 2 March 2009

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the results of the business, changes in equity and cash flows of the Group for the year then ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

KOH CHON TONG

KOH CHOON HEONG

Dated: 2 March 2009

INDEPENDENT AUDITOR'S REPORT

to the Members of Heng Long International Ltd.

We have audited the accompanying financial statements of Heng Long International Ltd. (the "Company") and its subsidiary (the "Group") which comprise the balance sheets of the Company and the Group as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

to the Members of Heng Long International Ltd.

Opinion

In our opinion:

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in the Republic of Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton
Public Accountants and
Certified Public Accountants

Singapore, 2 March 2009

BALANCE SHEETS

as at 31 December 2008

	Note	The Company		The Group	
		31 December 2008 \$	31 December 2007 \$	31 December 2008 \$	31 December 2007 \$
Assets					
Non-Current					
Property, plant and equipment	6	–	–	4,342,098	4,802,436
Investment in subsidiary	7	48,000,000	–	–	–
Available-for-sale financial assets	8	–	–	–	–
		48,000,000	–	4,342,098	4,802,436
Current					
Inventories	9	–	–	78,585,865	74,487,227
Trade and other receivables	10	–	–	21,169,611	16,046,780
Amount owing by a subsidiary	7	21,931,793	–	–	–
Cash and cash equivalents	11	2	2	8,372,220	973,244
		21,931,795	2	108,127,696	91,507,251
Total assets		69,931,795	2	112,469,794	96,309,687
Equity					
Capital and Reserves					
Share capital	12	70,203,139	2	70,203,139	2,000,002
Merger reserve	13	–	–	(46,000,000)	–
(Accumulated losses)/retained profits		(271,442)	(4,000)	57,455,924	49,671,466
		69,931,697	(3,998)	81,659,063	51,671,468
Liabilities					
Non-Current					
Deferred tax liabilities	14	–	–	270,000	220,000
Obligation under hire purchase	15	–	–	21,707	–
Amount owing to a related company	16	–	–	5,465,545	–
		–	–	5,757,252	220,000
Current					
Trade and other payables	17	98	1,605	4,640,180	3,831,241
Obligation under hire purchase	15	–	–	101,043	–
Derivative financial instrument	18	–	–	95,600	123,258
Amount owing to ultimate holding company	19	–	–	63,645	1,990,937
Amount owing to a related company	16	–	2,395	2,099,598	8,398,596
Bank borrowings	20	–	–	15,314,352	27,761,976
Current tax payable		–	–	2,739,061	2,312,211
		98	4,000	25,053,479	44,418,219
Total equity and liabilities		69,931,795	2	112,469,794	96,309,687

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED INCOME STATEMENT

for the financial year ended 31 December 2008

	Note	Year ended 31 December 2008 \$	Year ended 31 December 2007 \$
Revenue	5	68,161,543	66,230,381
Cost of sales		(44,992,918)	(45,291,768)
Gross profit		23,168,625	20,938,613
Other operating income	21	181,013	405,119
Administrative expenses	22	(7,778,761)	(6,301,428)
Other operating expenses	23	(207,073)	(178,508)
Finance costs	24	(669,377)	(1,367,197)
Share issue expenses		(767,982)	–
Profit before taxation	26	13,926,445	13,496,599
Taxation	27	(2,541,987)	(2,354,428)
Profit after taxation for the year attributable to shareholders		11,384,458	11,142,171
Earnings per share	28	Cents	Cents
- Basic		4.9	n.m.
- Diluted		4.9	5.6

n.m.: not meaningful (see Note 28)

Note. The distribution costs which include freight and insurance charges are borne by the customers of the Group as stipulated in the terms of the contract.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2008

	Share Capital \$	Fair value reserve \$	Merger reserve \$	Retained profits \$	Total \$
Balance at 1 January 2007	2,000,000	19,504	–	38,529,295	40,548,799
Issue of shares	2	–	–	–	2
Fair value gain recycled to income statement	–	(19,504)	–	–	(19,504)
Total recognised income and net profit for the year	–	–	–	11,142,171	11,142,171
Balance at 31 December 2007	2,000,002	–	–	49,671,466	51,671,468
Deemed distribution to the then equity owners pursuant to the Restructuring Exercise	(2,000,000)	–	–	–	(2,000,000)
New shares issued pursuant to the Restructuring Exercise	48,000,000	–	–	–	48,000,000
Merger reserve pursuant to the Restructuring Exercise	–	–	(46,000,000)	–	(46,000,000)
Proceeds from new shares	23,120,000	–	–	–	23,120,000
Share issue expenses	(916,863)	–	–	–	(916,863)
Total recognised income and net profit for the year	–	–	–	11,384,458	11,384,458
Dividend paid	–	–	–	(3,600,000)	(3,600,000)
Balance at 31 December 2008	70,203,139	–	(46,000,000)	57,455,924	81,659,063

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2008

	Year ended 31 December 2008 \$	Year ended 31 December 2007 \$
Cash Flows from Operating Activities		
Profit before taxation	13,926,445	13,496,599
Adjustments for:		
Depreciation of property, plant and equipment	910,959	916,786
Fair value gain on derecognition of available-for-sale financial assets	–	(27,886)
Fair value (gain)/loss on interest rate swap	(27,658)	76,053
Interest expense	669,377	1,367,197
Interest income	(68,457)	(37,033)
Loss on disposal of property, plant and equipment	–	1,325
Property, plant and equipment written off	6,737	4,655
Operating profit before working capital changes	15,417,403	15,797,696
Increase in inventories	(4,098,638)	(708,491)
Increase in operating receivables	(5,103,580)	(6,105,530)
Increase/(decrease) in operating payables	889,200	(41,782)
Cash generated from operations	7,104,385	8,941,893
Interest paid	(937,807)	(1,243,548)
Income tax paid	(2,065,137)	(1,499,500)
Net cash generated from operating activities	4,101,441	6,198,845
Cash Flows from Investing Activities		
Purchase of property, plant and equipment (Note A)	(257,358)	(315,165)
Proceeds from sale of property, plant and equipment	–	598
Proceeds from sale of available-for-sale financial assets	–	44,716
Interest received	49,206	37,033
Net cash used in investing activities	(208,152)	(232,818)
Cash Flows from Financing Activities		
Dividend paid	(3,600,000)	–
Net proceeds from issue of share of the Company	22,203,137	2
Repayment to finance lease obligations	(77,250)	–
Repayment to ultimate holding company	(1,874,574)	(256,599)
Repayment to a related company	(698,002)	(318,154)
Short term loans (repaid)/obtained	(9,060,000)	1,366,000
Trust receipts repaid	(3,162,139)	(5,792,294)
Net cash generated from/(used in) financing activities	3,731,172	(5,001,045)
Net increase in cash and cash equivalents	7,624,461	964,982
Cash and cash equivalents at beginning of year	708,613	(256,369)
Cash and cash equivalents at end of year (Note 11)	8,333,074	708,613
Analysis of cash and cash equivalents		
Cash and bank balances	2,372,220	973,244
Fixed deposits	6,000,000	–
Bank overdrafts (Note 20)	(39,146)	(264,631)
Cash and cash equivalents at end of year	8,333,074	708,613

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2008

Note

A. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$457,358 (2007 - \$315,165) of which \$200,000 (2007 - Nil) was acquired by means of hire purchase. Cash payments of \$257,358 (2007 - \$315,165) were made to purchase property, plant and equipment.

B. The 2007 consolidated cash flow statement is prepared on the basis that the group structure has been in place under the Restructuring Exercise (see Note 2) for which the pooling-of-interests method for consolidation is applied.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The financial statements of the Company and the Group for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The Company was incorporated in the Republic of Singapore on 18 September 2007 as a limited liability company under the name of Heng Long International Pte. Ltd.. On 18 June 2008, the Company converted from a private limited company into a public limited company and assumed the present name Heng Long International Ltd.. The Company was admitted to the Official List of the Singapore Exchange Mainboard ("SGX-ST") on 9 July 2008.

The immediate and ultimate holding company is Heng Long Holdings Pte. Ltd., a company incorporated in the Republic of Singapore.

The registered office of the Company is located at 50 Defu Lane 7, Singapore 539356.

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary are stated in Note 7 to the financial statements.

2 Restructuring Exercise

The Group was formed as a result of a restructuring exercise ("Restructuring Exercise") undertaken for the purpose of the Company's listing on the SGX-ST. The Restructuring Exercise involved the following:

(a) Incorporation of the Company

The Company was incorporated on 18 September 2007 in Singapore in accordance with the Act as a private limited Company with an issued and paid-up share capital of \$2 comprising 2 ordinary shares held by Koh Chon Tong. On 18 June 2008, the Company was converted into a public company and changed its name to "Heng Long International Ltd."

(b) Acquisition of Heng Long Leather

Pursuant to a restructuring agreement dated 9 May 2008, the Company acquired the entire issued share capital of Heng Long Leather Co. (Pte) Ltd ("Heng Long Leather") for a consideration of \$48,000,000 which was determined having regard to the approximate Net Tangible Assets of Heng Long Leather as at 31 December 2007, after adjusting for the dividends of \$3.6 million declared in respect of the financial year ended 31 December 2007. The effective date of the acquisition was 1 January 2008.

The consideration was satisfied by the issue of 199,999,998 shares to Heng Long Holdings Pte. Ltd. ("HL Holdings") and certain shareholders of HL Holdings nominated by HL Holdings to receive the shares as follows:

Name	Number of Shares
HL Holdings	160,000,000
Koh Long Cheok	4,000,000
Cheng Buay Sching	4,000,000
C T Koh Holdings Pte. Ltd.	15,999,998
C H Koh Holdings Pte. Ltd.	16,000,000
	199,999,998

Note:

Koh Chon Tong transferred the 2 ordinary shares held by him since incorporation of the Company to C T Koh Holdings Pte. Ltd. as part of the Restructuring Exercise.

NOTES TO THE FINANCIAL STATEMENTS

2 Restructuring Exercise (cont'd)

(b) Acquisition of Heng Long Leather (cont'd)

Upon the completion of the Restructuring Exercise and allotment of shares, and immediately before the Invitation, the shareholders of the Company were as follows:

Name	Number of Shares	Percentage (%)
HL Holdings	160,000,000	80.0
C T Koh Holdings Pte. Ltd.	16,000,000	8.0
C H Koh Holdings Pte. Ltd.	16,000,000	8.0
Koh Long Cheek	4,000,000	2.0
Cheng Buay Sching	4,000,000	2.0
Total issued and fully paid capital	200,000,000	100.0

3(a) Basis of preparation

Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, unless as disclosed in the accounting policies below.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below:

Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 28 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2008 is \$4,342,098 (2007 - \$4,802,436). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

3(a) Basis of preparation (cont'd)

Significant accounting estimates and judgements (cont'd)

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below:

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 4 to the financial statements, management had made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Impairment of loans and receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Allowances for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. In determining the net realisable value, the directors estimate the future selling price in the ordinary course of business, less the estimated costs of selling expenses. The carrying amounts of inventories at the balance sheet date are disclosed in Note 9 to the financial statements.

3(b) Interpretations and amendments to published standards effective in 2008

On 1 January 2008, the Company and the Group adopted the new or revised FRS and INT FRS that are mandatory for application on that date. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended INT FRS that are relevant to the Company and the Group:

INT FRS 29	Disclosure - Service Concession Arrangements
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 111	FRS 102 - Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114	FRS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above INT FRS did not result in substantial changes to the Company's and the Group's accounting policies nor any significant impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3(c) FRS and INT FRS issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. The following FRS and INT FRS that are applicable to the Group are set out below:

FRS 1 (Revised)	Presentation of Financial Statements - Revised presentation
Amendments to FRS 1	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 2 (Revised)	Inventories
FRS 7 (Amendment)	Cash Flow Statements
FRS 8 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 16 (Revised)	Property, Plant and Equipment
FRS 19 (Amendment)	Employee Benefits
FRS 23 (Revised)	Borrowing Costs
FRS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 32	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 33 (Revised)	Earnings per Share
FRS 34 (Amendment)	Interim Financial Reporting
FRS 36 (Revised)	Impairment of Assets
FRS 38 (Revised)	Intangible Assets
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures - Reclassification of Financial Assets
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures - Eligible Hedged Items
FRS 102 (Amendment)	Share-based Payment - Amendments relating to vesting conditions and cancellations
FRS 104 (Revised)	Insurance Contracts - Implementation Guidance
FRS 105 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
FRS 106 (Amendment)	Exploration for and Evaluation of Mineral Resources
Amendments to FRS 107	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures - Reclassification of Financial Assets - Implementation Guidance
FRS 108	Operating Segments
INT FRS 101	Changes in Existing Decommissioning, Restoration and Similar Liabilities
INT FRS 104	Determining Whether an Arrangement Contains a Lease
INT FRS 112 (Amendment)	Service Concession Arrangements
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation

NOTES TO THE FINANCIAL STATEMENTS

3(c) FRS and INT FRS issued but not yet effective (cont'd)

The directors do not anticipate that the adoption of the FRS and INT FRS will result in any material impact to the financial statements in the period of initial application, except as indicated below.

FRS 1 Presentation of Financial Statements - Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 23 Borrowing Costs

FRS 23 (revised 2007) will become effective for financial statements for the year ending 31 December 2009. FRS 23 (revised 2007) removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

FRS 27 Consolidated and Separate Financial Statements and FRS 101 First-time Adoption of Financial Reporting Standards

The amendments to FRS 101 and FRS 27 on the cost of an investment in a subsidiary, jointly controlled entity or associate will become effective for the Group's financial statements for the year ending 31 December 2009. The amendments remove the definition of "cost method" currently set out in FRS 27, and instead require an entity to recognise all dividend from a subsidiary, jointly controlled entity or associate as income in its separate financial statements when its right to receive the dividend is established. The application of these amendments is not expected to have any significant impact on the Group's financial statements.

FRS 108 Operating Segments

FRS 108 replaces FRS 14 Segment Reporting. In doing so it extends the scope of segment reporting. It requires the identification of operating segments based on internal reports that are regularly reviewed by the entity chief operating decision maker in order to allocate resources to the segment and assess its performance. It requires amongst others, reconciliations of total reportable segment revenues, total profit or loss, total assets, and other amounts disclosed for reportable segments to corresponding amounts in the entity financial statements and an explanation of how segment profit or loss and segment assets are measured for each reportable segment.

4 Summary of significant accounting policies

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiary) made up to 31 December. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiary acquired or disposed of during the financial period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

In the Company's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value on an individual subsidiary basis.

NOTES TO THE FINANCIAL STATEMENTS

4 Summary of significant accounting policies (cont'd)

Common control business combination outside the scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The restructuring exercise described in Note 2 resulted in a business combination involving common control entities, and accordingly the accounting treatment is outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognised the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination.

The carrying amounts are included as if such consolidated financial statements had been prepared by the controlling party, including adjustments required for conforming the combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of these assets over their estimated useful lives as follows:

Leasehold properties	28 years or over the remaining useful life, whichever is lesser
Plant and machinery	6 - 7 years
Furniture, fittings and office equipment	5 - 10 years
Motor vehicles	6 - 7 years

The residual values, if any, and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate at each balance sheet date. The useful lives and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the year of acquisition and to the year of disposal respectively.

Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

4 Summary of significant accounting policies (cont'd)

Subsidiary

For consolidation purposes, a subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether there is control.

Shares in subsidiary are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. In the case of manufactured inventories, cost consists of cost of raw materials, direct labour and an appropriate proportion of production overheads.

Allowance is made, where necessary, for obsolete, slow-moving and defective inventories in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial assets

Financial assets include cash and financial instruments. Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

Derecognition of financial instruments occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

The Group does not have any investments and accordingly, there is no investment to be classified as financial assets at fair value through profit or loss, assets held-to-maturity or available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets, if any.

Loans and receivables are subsequently measured at amortised cost using the effective interest method less provision for impairment. Any change in their value is recognised in the income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the income statement.

Receivables are provided against when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables include trade and other receivables, inter-company balances and deposits held in banks.

NOTES TO THE FINANCIAL STATEMENTS

4 Summary of significant accounting policies (cont'd)

Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables and inter-company balances.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the income statement.

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are included in current liabilities in the balance sheets even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than 12 months after the balance sheet date, if any, are included in non-current liabilities in the balance sheet.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiary fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiary's borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be measured reliably, they will then be recognised as a provision.

Related parties

Related parties are entities with one or more common direct/indirect shareholders and/or directors and in which one party has the ability to control or exercise significant influence over the other party in financial and operating decision making.

4 Summary of significant accounting policies (cont'd)

Employee benefits

Pension obligations

The Group contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore in respect of eligible employees. The Group's contributions to CPF are charged to the income statement in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the balance sheet date.

Leases

Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the income statement when incurred.

Finance lease

Where assets are financed by lease agreements that give rights approximating to ownership, the assets are capitalised as if they had been purchased outright at values equivalent to the lower of the fair values of the leased assets and the present value of the total minimum lease payments during the periods of the leases. The corresponding lease commitments are included under liabilities. The excess of lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease to give a constant effective rate of charge on the remaining balance of the obligation.

The leased assets are depreciated on a straight-line basis over their estimated useful lives as detailed in the accounting policy on "Property, plant and equipment and depreciation".

Provisions

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

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Income taxes

The liability method of tax effect accounting is adopted by the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

4 Summary of significant accounting policies (cont'd)

Income taxes (cont'd)

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Impairment of non-financial assets

The carrying amounts of the Group's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation.

Any impairment loss is charged to the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is credited as income in the income statement.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant goods and services tax ("GST") and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from sale of goods is recognised when goods are sold to customers, which generally coincides with their delivery and acceptance.

Interest income is recognised on a time-apportioned basis using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

4 Summary of significant accounting policies (cont'd)

Functional currency

Items included in the financial statements of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The financial statements of the Company are presented in Singapore dollar (to the nearest dollar) which is also the functional currency of the Group.

Conversion of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Singapore dollar at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the income statement in the period in which they arise.

Financial instruments

Financial instruments carried on the balance sheets include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 32 to the financial statements.

Segment reporting

A segment is a distinguishable component of the Group within a particular economic environment (geographical segment) and to a particular industry (business segment) which is subject to risks and rewards that are different from those of other segments.

For the financial year presented, the Group has one operating segment, which is the processing and sale of leather materials. The Group's processing activities operate predominantly in the Republic of Singapore. Information for geographical segment revenue is based on where the customers are located.

5 Revenue

The principal activities of the Group consist of those of importing, exporting and processing of leather materials.

Revenue representing sale of leather materials, excluding applicable GST, is detailed as follows:

	2008 \$	2007 \$
Raw crocodilian skin	1,727,857	2,591,847
Crusted crocodilian skin	4,717,581	4,202,596
Finished crocodilian leather	60,542,121	58,749,623
Other exotic skin or leather	1,183,922	686,315
Less: discount	(9,938)	-
	68,161,543	66,230,381

NOTES TO THE FINANCIAL STATEMENTS

6 Property, plant and equipment

The Group	Leasehold properties \$	Plant and machinery \$	Furniture, fittings and office equipment \$	Motor vehicles \$	Total \$
Cost					
Balance as at 1 January 2007	5,100,842	6,051,065	1,783,684	213,383	13,148,974
Additions	13,793	193,128	108,244	–	315,165
Disposals	–	(210,923)	(10,409)	–	(221,332)
Balance as at 31 December 2007	5,114,635	6,033,270	1,881,519	213,383	13,242,807
Additions	–	114,666	71,485	271,207	457,358
Disposals	–	(3,050)	(46,064)	–	(49,114)
Balance as at 31 December 2008	5,114,635	6,144,886	1,906,940	484,590	13,651,051
Accumulated depreciation					
Balance as at 1 January 2007	2,032,542	4,383,566	1,129,858	192,373	7,738,339
Depreciation for the year	318,323	407,407	175,440	15,616	916,786
Disposals	–	(208,125)	(6,629)	–	(214,754)
Balance as at 31 December 2007	2,350,865	4,582,848	1,298,669	207,989	8,440,371
Depreciation for the year	318,323	373,822	176,977	41,837	910,959
Disposals	–	(3,050)	(39,327)	–	(42,377)
Balance as at 31 December 2008	2,669,188	4,953,620	1,436,319	249,826	9,308,953
Net book value					
Balance as at 31 December 2008	2,445,447	1,191,266	470,621	234,764	4,342,098
Balance as at 31 December 2007	2,763,770	1,450,422	582,850	5,394	4,802,436

(a) Depreciation is charged to:

The Group	2008 \$	2007 \$
Cost of sales	692,144	603,568
Administrative expenses	218,815	313,218
	910,959	916,786

(b) The net book value of a motor vehicle acquired under finance lease for the Group amounted to \$230,526.

NOTES TO THE FINANCIAL STATEMENTS

6 Property, plant and equipment (cont'd)

(c) The leasehold properties comprise:

Location	Description	Floor area (sq metres)	Tenure
No. 50 Defu Lane 7 Singapore 539356	Office, leather processing facilities and warehouse	3,523	30 + 30 years commencing 1 August 1990
No. 12 Defu Lane 8 Singapore 539317	Leather processing area facilities and warehouse	3,082	30 years commencing 1 March 1983

The above leasehold properties belong to the Group, where the Group leases the use of land from the Housing and Development Board ("HDB") (Note 29.2).

7 Subsidiary

	2008 \$	2007 \$
The Company		
Unquoted equity investment, at cost	48,000,000	–
Amount owing by subsidiary		
- Heng Long Leather Co. (Pte) Ltd	21,931,793	–

The amount owing by the subsidiary, Heng Long Leather Co. (Pte) Ltd, represents advances for working capital, is unsecured, interest-free and repayable on demand.

The subsidiary as at 31 December 2008 is:

Name	Country of incorporation/ principal place of business	Cost of investment		Percentage of equity held		Principal activities
		2008 \$	2007 \$	2008	2007	
Heng Long Leather Co. (Pte) Ltd ⁽¹⁾	Singapore	48,000,000	–	100%	–	Importing, exporting and processing of leather materials

(1) Audited by Foo Kon Tan Grant Thornton

NOTES TO THE FINANCIAL STATEMENTS

8 Available-for-sale financial assets

The Group	2008 \$	2007 \$
Cost of investment		
- United Asia Fund	-	-
Fair value gain		
Balance as at beginning of year	-	19,504
Fair value gain recycled to income statement	-	(19,504)
Balance as at end of year	-	-

The fair value of the fund investment was determined by reference to its Net Assets Value.

The above investment was redeemed on 27 June 2007 at the Net Assets Value of \$44,716.

9 Inventories

The Group	2008 \$	2007 \$
At cost:		
Raw materials	17,337,532	27,965,456
Work-in-progress		
- crust	39,168,571	23,157,930
- others	14,299,106	16,595,887
	53,467,677	39,753,817
Finished/trading goods	7,026,963	6,070,780
Chemicals	753,693	697,174
	78,585,865	74,487,227
Included in cost of sales are inventories charged of:	37,842,157	38,645,241

Owing to the nature of the business, the extent of stock holding is influenced by the availability of the market supply. The normal processing period for work-in-progress for crust approximates one month. The ageing of work-in-progress inventory turnover approximates 438 (2007 - 318) days.

The ageing of raw materials inventory turnover which carries beyond one-year period approximates 184 (2007 - 279) days.

No provision for inventory obsolescence is required.

NOTES TO THE FINANCIAL STATEMENTS

10 Trade and other receivables

	2008 \$	2007 \$
The Group		
Trade receivables	9,041,431	5,312,206
Advances paid to suppliers	11,742,020	10,298,451
Advances paid to an agent	19,354	32,950
Prepayments	80,602	215,366
Deposits	68,277	32,081
Other receivables	233,409	171,208
	12,143,662	10,750,056
Impairment loss on other receivables	(15,482)	(15,482)
Net other receivables	12,128,180	10,734,574
	21,169,611	16,046,780

Trade and other receivables are denominated in the following currencies:

United States dollar	19,712,335	14,740,463
Singapore dollar	1,438,593	1,301,230
Euro dollar	18,683	5,087
	21,169,611	16,046,780

Trade receivables are usually due within 30-90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers.

The ageing analysis of the trade receivables approximates 39 (2007 - 26) days. No allowance for impairment has been considered necessary.

The advances paid to suppliers are unsecured, interest-free and represent down-payment for the supply of raw materials.

11 Cash and cash equivalents

	The Company		The Group	
	2008 \$	2007 \$	2008 \$	2007 \$
Fixed deposits	-	-	6,000,000	-
Cash on hand	2	2	11,678	56,236
Bank balances	-	-	2,360,542	917,008
	2	2	8,372,220	973,244

Cash and cash equivalents are denominated in the following currencies:

United States dollar	-	-	2,362,594	962,892
Singapore dollar	2	2	6,005,672	3,610
Others	-	-	3,954	6,742
	2	2	8,372,220	973,244

The fixed deposits mature at dates which are within one to two months from the end of the financial year with weighted average interest rate of 0.95% per annum.

NOTES TO THE FINANCIAL STATEMENTS

11 Cash and cash equivalents (cont'd)

For the purpose of presenting the consolidated cash flow statement, the year-end cash and cash equivalents comprise the following:

	Note	2008 \$	2007 \$
Cash on hand		11,678	56,236
Bank balances		2,360,542	917,008
Fixed deposits		6,000,000	–
Bank overdrafts (unsecured)	20	(39,146)	(264,631)
		8,333,074	708,613

12 Share capital

	← No. of ordinary shares →		← Amount →	
	2008 \$	2007 \$	2008 \$	2007 \$
The Company and the Group				
<u>Issued and fully paid</u>				
<u>The Company</u>				
Balance at beginning of year/date of incorporation	2	2	2	2
Issue of shares pursuant to the Restructuring Exercise (Note 2(b))	199,999,998	–	48,000,000	–
Issue of shares	68,000,000	–	23,120,000	–
Share issue expenses	–	–	(916,863)	–
	268,000,000	2	70,203,139	2
<u>Heng Long Leather Co. (Pte) Ltd</u>				
2,000,000 ordinary shares	–	2,000,000	–	2,000,000
Grand total	268,000,000	2,000,002	70,203,139	2,000,002

Under the pooling-of-interests method of accounting, share capital of the Group as at 31 December 2007 represents the aggregate paid-in capital of the Company and Heng Long Leather.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

The Company was incorporated on 18 September 2007 with an issued and paid-up share capital of \$2 comprising 2 ordinary shares.

Pursuant to a restructuring agreement dated 9 May 2008, the Company acquired the entire issued share capital of Heng Long Leather for a consideration of \$48,000,000 which was determined having regard to the approximate Net Tangible Assets ("NTA") of Heng Long Leather as at 31 December 2007, after adjusting for the dividends of \$3.6 million declared in respect of the financial year ended 31 December 2007. The effective date of the acquisition was 1 January 2008. The consideration was satisfied by the issue of 199,999,998 shares to HL Holdings and certain shareholders of HL Holdings nominated by HL Holdings to receive the shares as follows:

NOTES TO THE FINANCIAL STATEMENTS

12 Share capital (cont'd)

Name	Number of shares
HL Holdings	160,000,000
Koh Long Cheok	4,000,000
Cheng Buay Sching	4,000,000
C T Koh Holdings Pte. Ltd.	15,999,998
C H Koh Holdings Pte. Ltd.	16,000,000
	199,999,998

During the financial year, the Company issued 68,000,000 ordinary shares for a total consideration of \$23,120,000 for cash in connection with the admission of the Company to the Official List of the SGX-ST on 9 July 2008. The newly issued shares rank pari passu in all respects with the previously issued shares.

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

13 Merger reserve

The merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation in the Restructuring Exercise described in Note 2.

14 Deferred tax liabilities

The Group	Note	2008 \$	2007 \$
Balance as at beginning of year		220,000	310,099
Transfer from/(to) income statement	27	50,000	(90,099)
Balance as at end of year		270,000	220,000

The balance on deferred tax liabilities comprises:

Tax on excess of net book value over tax written down value of property, plant and equipment	292,310	293,817
Others	(22,310)	(73,817)
	270,000	220,000

NOTES TO THE FINANCIAL STATEMENTS

15 Obligation under hire purchase

The Group	2008 \$	2007 \$
Minimum instalments payable		
Due not later than one year	105,000	–
Due later than one year and not later than five years	21,875	–
Due later than five years	–	–
	126,875	–
Finance charges allocated to future periods	(4,125)	–
Present value of minimum hire purchase payments	122,750	–
Present value of minimum hire purchase payments		
Due not later than one year	101,043	–
Due later than one year and not later than five years	21,707	–
Due later than five years	–	–
	122,750	–

16 Amount owing to a related company

	Note	The Company		The Group	
		2008 \$	2007 \$	2008 \$	2007 \$
<u>Amount owing to a related company</u>	(a)				
- Heng Long Investment Pte. Ltd.					
Advances		–	–	7,465,545	8,163,547
Interest payable		–	–	99,598	235,049
		–	–	7,565,143	8,398,596
Less: Amount repayable within one year		–	–	(2,099,598)	(8,398,596)
Amount payable after one year		–	–	5,465,545	–
<u>Amount owing to a former related company</u>	(b)				
- Heng Long Leather Co. (Pte) Ltd		–	2,395	–	–
Total		–	2,395	5,465,545	–

(a) The advances owing to a related company are unsecured and repayable on demand. Interest is charged at the rate of 1.30% (2007 - 2.90%) per annum, calculated by reference to the ABN AMRO Bank average fixed deposit and short-term loan rates.

The amount owing to a related company as at 31 December 2008 is repayable in eight bi-annual instalments within 48 months after the listing of the Company.

Had the interest cost be charged at the prevailing prime lending rate which is about 5.5% (2007 - 5.5%) per annum, the interest cost would be \$433,934 (2007 - \$459,468).

(b) The amount owing to a former related company, Heng Long Leather Co. (Pte) Ltd, represented payments made on behalf, were unsecured, interest-free and have been settled during the financial year 2008.

Upon completion of the Restructuring Exercise (Note 2), Heng Long Leather Co. (Pte) Ltd becomes a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

17 Trade and other payables

	The Company		The Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade payables	-	-	93,109	469,110
GST payables	-	-	98,489	139,657
Accrued interest	-	-	38,324	118,857
Accrued salaries and related costs	-	-	1,550,859	521,234
Directors' fee payable	-	-	222,000	60,000
Commission payable	-	-	1,152,617	1,546,966
Advances received from a third party	-	-	-	1,203
Advances received from customers	-	-	1,062,033	935,458
Other payables	98	1,605	422,749	38,756
	98	1,605	4,640,180	3,831,241

Trade and other payables are denominated in the following currencies:

	The Company		The Group	
	2008	2007	2008	2007
	\$	\$	\$	\$
United States dollar	-	-	2,270,556	2,651,620
Singapore dollar	98	1,605	2,369,624	1,179,621
	98	1,605	4,640,180	3,831,241

The fair value of trade and other payables have not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheets to be reasonable approximation of their fair value.

The advances received from a third party were unsecured, interest-free and repayable on demand.

Commission payable relates to liability due to agents of the subsidiary for securing sales orders and procuring supply of goods.

The advances received from customers represent down-payment for ordering made.

18 Derivative financial instrument

The Group	2008	2007
	\$	\$
Interest rate swap		
- Contract notional amount (\$10,000,000)	95,600	123,258

Interest rate swap is entered to minimise exposure to interest rate movements. Fair value gains and losses on interest rate swap are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

19 Amount owing to ultimate holding company

The Group	2008 \$	2007 \$
<u>Amount owing to ultimate holding company</u>		
- Heng Long Holdings Pte. Ltd.		
Advances	60,000	1,934,574
Interest payable	3,645	56,363
	63,645	1,990,937

The advances owing to holding company are unsecured and repayable on demand. Interest is charged at the rate of 1.43% (2007 - 2.90%) per annum, calculated by reference to the ABN AMRO Bank average fixed deposit and short-term loan rates.

Had the interest cost be charged at the prevailing prime lending rate which is about 5.5% (2007 - 5.5%) per annum, the interest cost would be \$43,922 (2007 - \$113,432).

20 Bank borrowings (unsecured)

The Group	Note	2008 \$	2007 \$
<u>Short-Term Loans</u>			
#1	(a)(i)	-	3,190,000
#2	(b)(i)	-	950,000
#3	(c)(i)	-	1,200,000
#4	(d)(i)	-	2,400,000
#5	(e)(i)	-	1,320,000
		-	9,060,000
<u>Bank Overdrafts</u>			
#1	(a)(ii)	29	623
#2	(b)(ii)	-	11,346
#3	(c)(ii)	-	15,191
#4	(d)(ii)	-	7,740
#5	(e)(ii)	39,117	229,731
		39,146	264,631
<u>Trust Receipts</u>			
#1	(a)(iii)	4,019,364	7,163,592
#2	(b)(iii)	4,475,417	5,270,077
#3	(c)(iii)	6,780,425	4,460,200
#6	(f)	-	1,543,476
		15,275,206	18,437,345
		15,314,352	27,761,976

NOTES TO THE FINANCIAL STATEMENTS

20 Bank borrowings (unsecured) (cont'd)

Bank borrowings are denominated in the following currencies:

The Group	2008 \$	2007 \$
United States dollar	4,802,898	–
Singapore dollar	10,511,454	27,761,976
	15,314,352	27,761,976

(a) The bank facilities #1 of \$11,000,000 (2007 - \$11,000,000) granted to the Group are:

- (i) short term loans with variable-debts obligations as at 31 December 2007 for which the loans have been repaid by 13 August 2008. Interest was charged at variable rates from 1.93% to 2.05%. No short-term loan has been drawn down as at 31 December 2008;
- (ii) the bank overdraft which is repayable on demand. The effective interest rate is 5.75% (2007 - 5.75%) per annum; and
- (iii) the trust receipts for which the maturity periods are between 31 days to 180 days (2007 - 28 days to 149 days). Interest is charged at varied rates from 1.30% to 5.95% (2007 - 2.70% to 3.45%) per annum.

In 2007, these bank borrowings were secured by:

- (1) joint and several guarantees from Koh Chon Tong, Koh Choon Heong and Koh Long Cheok; and
- (2) a corporate guarantee from Heng Long Investment Pte. Ltd..

In 2008, these bank borrowings are secured by a corporate guarantee from the Company.

The unutilised bank facilities which are made available to the Group amounted to \$6,980,000 (2007 - \$646,000).

(b) The bank facilities #2 of \$8,000,000 (2007 - \$8,000,000) granted to the Group are:

- (i) the fixed advance facility loan of \$950,000 as at 31 December 2007 for which the loan has been repaid on 11 August 2008. Interest was charged at 2.48% per annum;
- (ii) the bank overdraft as at 31 December 2007 which was repayable on demand and the effective interest charged was at 5.25% per annum; and
- (iii) the trust receipts for which the maturity periods are between 31 days to 92 days (2007 - 28 days to 180 days). Interest is charged at varied rates from 1.21% to 2.80% (2007 - 2.42% to 3.51%) per annum.

In 2007, these bank borrowings were secured by:

- (1) joint and several guarantees from Koh Chon Tong, Koh Choon Heong and Koh Long Cheok; and
- (2) a corporate guarantee from Heng Long Investment Pte. Ltd..

In 2008, these bank borrowings are secured by a corporate guarantee from the Company.

The unutilised bank facilities which are made available to the Group amounted to \$3,525,000 (2007 - \$1,768,000).

(c) The bank facilities #3 of \$8,250,000 (2007 - \$7,200,000) granted to the Group are:

- (i) specific facility loan in 2007 of \$1,200,000 of which interest was charged at 2.38% per annum. The loan has been repaid on 12 May 2008;
- (ii) the bank overdraft as at 31 December 2007 which was repayable on demand and the effective interest charged was at 5.50% per annum; and
- (iii) the trust receipts for which the maturity periods are between 31 days to 91 days (2007 - 30 days to 180 days). Interest is charged at varied rates from 1.80% to 2.83% (2007 - 2.75% to 3.49%) per annum.

In 2007, these bank borrowings were secured by joint and several guarantees from Koh Chon Tong, Koh Choon Heong and Koh Long Cheok.

NOTES TO THE FINANCIAL STATEMENTS

20 Bank borrowings (unsecured) (cont'd)

In 2008, these bank borrowings are secured by a corporate guarantee from the Company.

The unutilised bank facilities which are made available to the Group amounted to \$1,469,000 (2007 - \$1,525,000).

(d) The bank facilities #4 of \$3,450,000 (2007 - \$3,450,000) granted to the Group are:

- (i) the revolving credit facility loan of \$2,400,000 as at 31 December 2007 for which the loan has been repaid by 6 November 2008. The effective interest rate was 2.88% per annum; and
- (ii) the bank overdraft which was repayable on demand. The effective interest charged was at 5.75% per annum.

In 2007, these bank borrowings were secured by:

- (1) joint and several guarantees from Koh Chon Tong, Koh Choon Heong and Koh Long Cheok; and
- (2) a corporate guarantee from Heng Long Investment Pte. Ltd..

In 2008, these bank borrowings are secured by a corporate guarantee from the Company.

The unutilised bank facilities which are made available to the Group amounted to \$3,450,000 (2007 - \$1,042,000).

(e) The bank facilities #5 of \$5,000,000 (2007 - \$5,000,000) granted to the Group are:

- (i) as of 31 December 2008, there is no short-term loan with variable-debt obligation. The 2007 short term loan of \$1,320,000 carried effective interest which varied from 2.33% to 2.83% per annum and have been repaid by 18 January 2008; and
- (ii) the bank overdraft which is repayable on demand. The effective interest charged is at 5% (2007 - 5.27%) per annum.

In 2007, these bank borrowings were secured by joint and several guarantees from Koh Chon Tong, Koh Choon Heong and Koh Long Cheok.

In 2008, these bank borrowings are secured by a corporate guarantee from the Company.

The unutilised bank facilities which are made available to the Group amounted to \$4,961,000 (2007 - \$3,450,000).

(f) The bank facility #6 of \$6,000,000 granted to the Group in the financial year 2007 comprised the trust receipts for which the maturity periods were between 171 days to 180 days. Interest was charged at varied rates from 3.41% to 3.59% per annum.

This bank borrowing was secured by:

- (1) joint and several guarantees from Koh Chon Tong, Koh Choon Heong and Koh Long Cheok; and
- (2) a corporate guarantee from Heng Long Investment Pte. Ltd..

In respect of the financial guarantees provided by the Company, there are no financial impacts on the financial statements as the interest charged by the said banks approximates the prevailing market rates.

The total available unutilised credit facilities per above are:

	2008	2007
	\$	\$
	20,385,000	12,888,000

NOTES TO THE FINANCIAL STATEMENTS

20 Bank borrowings (unsecured) (cont'd)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	2008 \$	2007 \$
Net debt	19,333,850	41,009,506
Total equity	81,659,063	51,671,468
Total capital	100,992,913	92,680,974
Gearing ratio	19%	44%

The Company and the Group manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

Bank borrowings are denominated in the following currencies:

	2008 \$	2007 \$
United States dollar	4,802,898	–
Singapore dollar	10,511,454	27,761,976
	15,314,352	27,761,976

21 Other operating income

	2008 \$	2007 \$
The Group		
Interest income		
- call account (US\$)	14,143	27,962
- current account	3,427	9,071
- fixed deposits	50,887	–
	68,457	37,033
Fair value gain on derecognition of available-for-sale financial assets		
- transferred from equity	–	19,504
- included in income statement	–	8,382
	–	27,886
Gain on foreign exchange	18,856	289,415
Miscellaneous income	93,700	50,785
	181,013	405,119
Effective interest rate (per annum)		
- call account (US\$)	1.81%	4.22%
- current account	0.91%	4.34%
- fixed deposits	0.95%	–

NOTES TO THE FINANCIAL STATEMENTS

22 Administrative expenses

The Group	2008 \$	2007 \$
Employee benefit costs	3,613,484	2,616,551
Directors' fee	267,000	276,000
Commission expenses	2,211,563	2,054,332
Legal and professional fees	187,832	61,992
Operating lease rentals	23,533	22,306
Depreciation expense	218,815	313,218
Stamp duty	103,351	–
Other expenses	1,153,183	957,029
	7,778,761	6,301,428

23 Other operating expenses

The Group	2008 \$	2007 \$
Fair value (gain)/loss on interest rate swap		
- realised	150,788	22,175
- unrealised	(27,658)	76,053
	123,130	98,228
Loss on disposal of property, plant and equipment	–	1,325
Property, plant and equipment written off	6,737	4,655
Property tax	77,206	74,300
	207,073	178,508

NOTES TO THE FINANCIAL STATEMENTS

24 Finance costs

The Group	2008 \$	2007 \$
Interest expense		
- holding company	11,742	56,363
- related company	99,598	235,049
- bank overdrafts	8,217	27,309
- trust receipts	400,490	775,156
- short-term loans	143,455	273,320
- hire purchase	5,875	-
	669,377	1,367,197
Effective interest rate (per annum)		
- holding company (see Note 19)	1.43%	2.90%
- related company (see Note 16)	1.30%	2.90%
- bank overdrafts	5.33%	5.30%
- trust receipts	2.56%	3.57%
- short-term loans	2.02%	3.35%
- hire purchase interest	5.15%	-

25 Employee benefit costs

The Group	2008 \$	2007 \$
Directors		
- Directors' salaries and related costs	1,613,000	766,400
- Directors' CPF contributions	11,893	12,973
Key management personnel (other than directors)		
- Salaries and related costs	1,251,923	664,708
- CPF contributions	94,994	45,053
Other than directors and key management personnel		
- Salaries and related costs	4,658,677	4,770,753
- CPF contributions	196,839	198,934
	7,827,326	6,458,821
As disclosed in:		
Cost of sales	4,213,842	3,842,270
Administrative expenses	3,613,484	2,616,551
	7,827,326	6,458,821

NOTES TO THE FINANCIAL STATEMENTS

26 Profit before taxation

The Group	2008 \$	2007 \$
Profit before taxation has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment (Note 6)	910,959	916,786
Gain on foreign exchange	(18,856)	(289,415)
Operating lease rentals	276,451	263,356
Provision for directors' fee	267,000	–
Property, plant and equipment written off	6,737	4,655
Non-audit fee	–	–

27 Taxation

The Group	2008 \$	2007 \$
Current taxation	2,656,355	2,384,000
Deferred taxation (Note 14)	73,321	35,749
	2,729,676	2,419,749
(Over)/under provision in respect of prior years		
- current taxation	(164,368)	60,527
- deferred taxation	(23,321)	(105,376)
Change in tax rate	–	(20,472)
	2,541,987	2,354,428

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore's statutory rate of income tax on the Group's results as a result of the following:

The Group	2008 \$	2007 \$
Profit before taxation	13,926,445	13,496,599
Tax at statutory rate of 18% (2007 - 18%)	2,506,760	2,429,388
Tax effect on non-deductible expenses	250,366	17,811
Singapore statutory stepped income exemption	(27,450)	(27,450)
	2,729,676	2,419,749

NOTES TO THE FINANCIAL STATEMENTS

28 Earnings per share

The Group

The basic earnings per share is calculated on the Group's profit after taxation of \$11,384,458 on the weighted average number of ordinary shares in issue of 232,699,454 shares during the financial year.

The diluted earnings per share is calculated on the Group's profit after taxation of \$11,384,458 on the weighted average numbers of ordinary shares in issue of 232,699,454 shares during the financial year.

In the financial year 2007, the earnings per share on the dilutive basis is calculated on the Group's profit after taxation of \$11,142,171 on the weighted average number of potential ordinary shares in issue of 200,000,000 shares whilst the earnings per share on basic basis is not meaningful as the Company only had 2 ordinary shares in issue pending the completion of the restructuring exercise.

29 Commitments

29.1 Capital commitments

	2008	2007
	\$	\$
The Group		
Capital expenditure contracted but not provided for in the financial statements	19,065	–

29.2 Operating lease commitments (non-cancellable)

At the balance sheet date, the Group was committed to making the following lease rental payments under non-cancellable operating leases for leasehold land and office equipment:

	2008	2007
	\$	\$
Not later than one year	241,116	269,256
Later than one year and not later than five years	992,648	1,072,314
Later than five years	798,927	897,630

(a) The lease on the Group's leasehold land with a land square area of 3,498.8 m² on which rental is payable is located at No. 50 Defu Lane 7 Singapore 539356. This 30-years lease operates effectively on 1 August 1990 and expires on 31 July 2020. The monthly rental which is subject to a revision which approximates the market rate is \$10,113 (2007 - \$9,586).

(b) The lease on the Group's leasehold land with a land square area of 4,872.3 m² on which rental is payable is located at No. 12 Defu Lane 8 Singapore 539317 became effective on 29 October 2005. The original term of the lease is 30 years and the expiry date is 1 March 2013. The monthly rental which is subject to a revision which approximates the market rate is \$13,348 (2007 - \$12,652).

(c) The lease on the Group's office equipment with a period of 5 years is due to expire on 30 September 2009.

29.3 Purchase Commitments

The final quantity of the crocodilian skins to be purchased by the Group and the prices to be paid will depend on the availability of sufficient crocodilian skins according to the specifications prescribed by the Group in terms of size and quality. In this regard, the rearing of crocodilians to a commercially accepted size is a slow process, which usually takes one to five years. The sizes and quality of these crocodilian skins are dependent on the breeding process of the crocodilians and whether these crocodilians are infected by any diseases affecting their skins.

NOTES TO THE FINANCIAL STATEMENTS

29 Commitments (cont'd)

29.3 Purchase Commitments (cont'd)

Generally, the Company's commitment to the price of crocodilian skins is based on the size and quality of each crocodilian skin, and the quantity committed is expressed in a range of numbers for the respective size and quality of crocodilian skins required by the Group. The actual quantity of crocodilian skins and the total value paid by the Company will be ascertained after the Group has selected the crocodilian skins that meet its specifications and quality requirements near the time of delivery.

30 Contingent liabilities

The Company

The Company has issued corporate guarantees to banks for loan facilities totalling of \$49,700,000 granted to the subsidiary, Heng Long Leather Co. (Pte) Ltd, for which the Company is exposed to liability which is capped at \$37,200,000.

These bank borrowings amounted to \$15,314,352 at the balance sheet date.

There is no effect on the financial guarantees as to the interest cost as the variable interest rate debt obligations are at prevailing market interest rate.

31 Significant related party transactions

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into between the Group and its related parties at agreed rates:

The Group	2008 \$	2007 \$
Rental charged by a related company		
- Heng Long Investment Pte. Ltd.	-	26,400
Interest charged by a related company		
- Heng Long Investment Pte. Ltd.	99,598	235,049
Interest charged by ultimate holding company		
- Heng Long Holdings Pte. Ltd.	11,742	56,363
Car rental charged by ultimate holding company		
- Heng Long Holdings Pte. Ltd.	60,000	-

32 Financial risk management objectives and policies

The board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management.

As at 31 December 2008, the Group's financial instruments mainly consisted of cash and cash equivalents, receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management objectives and policies (cont'd)

32.1 Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's interest rate risk arises mainly from bank borrowings. The interest rates and terms of repayment of the bank borrowings are disclosed in Note 20 to the financial statements.

The Group has entered into interest rate swap contracts that entitle them to receive interest at floating rates on notional principal amounts and oblige them to pay interest at a fixed rate on the same amounts. The interest rate swaps allow the Group to raise borrowings at floating rates and swap them into fixed rates that are lower than those available if it borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with the bank to exchange, at specified intervals (semi-annual), the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts. At 31 December 2008 and 2007 the fixed interest rate was 3.57% per annum and the floating rates are linked to swap offer rate.

The net fair value adjustment of the above interest rate swap contract as at the balance sheet date was:

	2008	2007
	\$	\$
The Group		
Notional principal amount	10,000,000	10,000,000
Fair value (gain)/ loss on derivative financial instrument		
- unrealised	(27,658)	76,053
- realised	150,788	22,175

The outstanding interest rate swap contract of \$10 million have been granted an extension period of two years, which takes effect from 23 March 2007, where the maturity date of the interest rate swap contract is due on 23 March 2009.

The fair value of interest rate swap contract has been calculated using rates quoted by the Group's bankers at the balance sheet date.

32.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Although the Group carries out its business in the Republic of Singapore, most of the transactions are denominated in United States dollar ("US\$"). The Group monitors its foreign currency exposure closely.

The Group constantly manages its foreign exchange exposure to limit the adverse impact of the foreign exchange rate fluctuations on its financial performance. There is a need for the Group to manage its foreign exchange risks as its sales are mainly denominated in US\$ and purchases of its raw skins are mainly denominated in US\$, whilst the purchases of the chemicals used in the production process are denominated in US\$, Euro and S\$. The Group is subject to foreign exchange risks to the extent that (i) the revenue, purchases and operating costs are not naturally matched in the same currency; and (ii) there are timing differences between the invoicing and collection or payment, which expose the Group to any adverse fluctuation of the various currencies against S\$.

To manage the Group's foreign exchange risk, the Group monitors the exchange rate between US\$ and S\$ on a regular basis, in consultation with the bankers. The Group may adjust the selling price of its products (in US\$ term) and/or arrange trade financing in US\$ term for specific purchases of raw materials from time to time taking into consideration the prevailing rates as well as the movements of the exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management objectives and policies (cont'd)

32.2 Foreign currency risk (cont'd)

Generally, the finance department will monitor the foreign exchange risk exposure on a daily basis and consult the Executive Directors on the appropriate actions to be taken. The Group will seek the Board's specific approval prior to trading in any financial and foreign exchange instruments.

A 5% strengthening of the US\$ against Singapore dollar as at 31 December 2008 would have had the following impact on the net profit by the amounts shown below.

	2008 Gain \$
US\$	750,074

A 5% weakening of the US\$ against Singapore dollar as at 31 December 2008 would have the equal but opposite effect on Singapore dollar of the amounts shown above.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

32.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The carrying amounts of trade and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk other than as at 31 December 2008, the five largest trade receivables which represents approximately 79% of the total trade receivables at the balance sheet date. No other financial assets carry a significant exposure to credit risk.

The Group extends various credit terms to its customers after taking into consideration their payment track record, financial background, length of business relationship, frequency of purchases and the size of the transaction. All credit terms, such as credit limit and credit period, granted to customers and any changes to the terms, must be approved by the management.

For existing customers, the sales terms vary from cash to 90 days credit term. In respect of sales on cash term, the Group requires its overseas customers to make 100% payment or issue letter of credit to the Group prior to shipment. For sales to its agents, the Group would grant a credit term of between 14 to 30 days or letter of credit of up to 60 days tenure.

For new customers, the Group normally requests for a deposit of up to 30% of the order value payable at the point of order and the balance amount is usually payable by way of letter of credit or telegraphic transfer upon completion of order but prior to shipment.

It is the Group's practice to monitor and follow up on the payment status of each customer through the combined efforts of its sales and marketing and finance departments. Before the Group accepts an order, it will evaluate the prospective customer's creditworthiness. The Group conducts regular reviews on the payment status of the various customers so that the Group can follow up on customers with outstanding balances. For long overdue receivables, the Group may issue letters of demand and/or proceed with legal action to collect the debts after considering various factors such as the quantum of the debts, the reasons for the delay in payment and its relationship with such customers.

There is no impairment losses recognised in the relevant periods since all receivables are collected within the credit period granted except for a balance of approximately \$15,000 (2007 - \$15,000) for other receivables, as disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

32 Financial risk management objectives and policies (cont'd)

32.4 Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

As mentioned in Note 10 to the financial statements, the Group is required to extend advances to suppliers to meet the production demand.

Pending the availability of bank facility, the Group continues to manage its liquidity risk by ensuring the availability of adequate funds to meet all its obligations in a timely and cost-effective manner.

32.5 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group does not hold any quoted or marketable financial instrument. Hence, there is no exposure to any movement in market prices.

Although the Group is exposed to the market price for its principal raw materials which relates mainly to leather materials from crocodile species, the extent of the price fluctuations may not have material impact on the net profit as such price adjustment is factored into the selling price when securing sales order.

33 Financial instruments

Fair values

The carrying amount of the financial assets and financial liabilities with a maturity of less than one year is assumed to approximate their fair values.

The Group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

34 Critical accounting estimates

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completed and selling expenses. These estimates are based on the current market condition and the historical expense of selling products of "similar nature". It could change significantly as a result of competitors in response to severe industry's cycles.

NOTES TO THE FINANCIAL STATEMENTS

35 Capital management

The Group's objectives when managing capital are:

- (a) To safeguard the Group's ability to continue as a going concern;
- (b) To support the Group's stability and growth; and
- (c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

STATISTICS OF SHAREHOLDINGS

as at 20 March 2009

Issued and fully paid	:	\$70,264,202
Number of shares	:	268,000,000
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information provided and to the best knowledge of the Directors, approximately 22.87% of the issued ordinary shares of the Company were held in the hands of the public as at 20 March 2009 and therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	Percentage	Number of Shares	Percentage
1 - 999	0	0.00	0	0.00
1,000 - 10,000	409	52.71	2,294,000	0.86
10,001 - 1,000,000	353	45.49	36,785,000	13.72
1,000,001 and above	14	1.80	228,921,000	85.42
TOTAL	776	100.00	268,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Shares Held	Percentage
1.	Heng Long Holdings Pte. Ltd.	165,518,000	61.76
2.	C H Koh Holdings Pte. Ltd.	16,000,000	5.97
3.	C T Koh Holdings Pte. Ltd.	16,000,000	5.97
4.	CIMB-GK Securities Pte. Ltd.	10,365,000	3.87
5.	Wee Ee Lim	5,000,000	1.87
6.	Kwang Sia Pte Ltd	3,000,000	1.12
7.	Cheng Buay Sching	2,000,000	0.75
8.	Jost Thomas Erich Gottfried	2,000,000	0.75
9.	Koh Long Cheok	2,000,000	0.75
10.	Hay Siew Keng	1,900,000	0.71
11.	Phillip Securities Pte Ltd	1,649,000	0.62
12.	Tan Kok King	1,225,000	0.46
13.	UOB Kay Hian Pte Ltd	1,180,000	0.44
14.	HSBC (Singapore) Nominees Pte Ltd	1,084,000	0.40
15.	Koh Moey Phua @ Koh Mui Hua	1,000,000	0.37
16.	Koh Mooi Ee	1,000,000	0.37
17.	Koh Mui Geak	1,000,000	0.37
18.	Koh Weikang	1,000,000	0.37
19.	Quek Suan Kiat	1,000,000	0.37
20.	Taman Buaya Langkawi Sdn Bhd	1,000,000	0.37
	TOTAL	234,921,000	87.66

STATISTICS OF SHAREHOLDINGS

as at 20 March 2009

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Heng Long Holdings Pte. Ltd.	165,518,000	61.76	–	–
C T Koh Holdings Pte. Ltd.	16,000,000	6.0	–	–
C H Koh Holdings Pte. Ltd.	16,000,000	6.0	–	–
Koh Chon Tong ⁽¹⁾	–	–	181,518,000	67.76
Koh Choon Heong ⁽²⁾	–	–	181,518,000	67.76

Notes:

- 1) Mr Koh Chon Tong is deemed to be interested in the 165,518,000 shares held by Heng Long Holdings Pte. Ltd. and the 16,000,000 shares held by C T Koh Holdings Pte. Ltd..
- 2) Mr Koh Choon Heong is deemed to be interested in the 165,518,000 shares held by Heng Long Holdings Pte. Ltd. and the 16,000,000 shares held by C H Koh Holdings Pte. Ltd..

NOTICE OF ANNUAL GENERAL MEETING

HENG LONG INTERNATIONAL LTD.

(Company Registration Number 200717235W)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of **Heng Long International Ltd.** (the “**Company**”) will be held at Ballroom III, The Pines, 30 Stevens Road, Singapore 257840 on Wednesday, 29 April 2009 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Report and the Audited Accounts for the financial year ended 31 December 2008 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of a first and final (tax exempt one-tier) dividend of 1.28 cents per ordinary share for the financial year ended 31 December 2008. **(Resolution 2)**
3. To approve the payment of Directors’ fees of \$150,000 for the financial year ended 31 December 2008. **(Resolution 3)**
4. To re-elect Mr Koh Chon Tong, a Director retiring by rotation under Article 107 of the Company’s Articles of Association. **(Resolution 4)**
5. To re-appoint Mr Koh Long Cheok as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 5)**
6. To re-appoint Dr Giam Choo Hoo as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting. *(see explanatory note 1)* **(Resolution 6)**
7. To re-appoint Messrs Foo Kon Tan Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments:

8. Authority to Allot and Issue Shares

“That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”), authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or on the date by which the next AGM is required by law to be held, whichever is earlier.” *(See explanatory note 2)*

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

9. Authority to Issue Shares at a discount

“That subject to and pursuant to the share issue mandate in resolution 8 above being obtained, authority be and is hereby given to the Directors to issue new shares other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion provided that such price shall not represent more than 20% discount for new shares to the weighted average price per share determined in accordance with the requirements of the SGX-ST.” (see explanatory note 3)

(Resolution 9)

10. To transact any other business that may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Wee Woon Hong

Company Secretary
Singapore

13 April 2009

EXPLANATORY NOTES:

1. Dr Giam Choo Hoo will, upon re-appointment as a Director of the Company, remain as a member of the Audit, Nominating and Remuneration Committee of the Company, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
2. The Ordinary Resolution proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting to issue shares in the Company up to the limit as specified in the Resolution for such purposes as they may consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.
3. The Ordinary Resolution proposed in item 9 above, if passed, will empower the Directors of the Company to issue new shares (other than on a pro-rata basis to shareholders of the Company) at an issue price of up to 20% discount to the weighted average price per share.

Notes:

- (i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.
- (ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Defu Lane 7 Singapore 539356, not less than 48 hours before the time appointed for holding the above Meeting.

HENG LONG INTERNATIONAL LTD.

(Company Registration Number 200717235W)
(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

ANNUAL GENERAL MEETING

*I/We, _____ (Name)

of _____ (Address)

being a *member/members of **HENG LONG INTERNATIONAL LTD.** (the “**Company**”) hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing *him/her, the Chairman of the Annual General Meeting (“**AGM**”) of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary to demand a poll, at the AGM of the Company to be held at Ballroom III, The Pines, 30 Stevens Road, Singapore 257840 on Wednesday, 29 April 2009 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an “X” in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of AGM. In the absence of specific directions, the *proxy/proxies will vote or abstain as *he/they may think fit, as *he/they will on any other matter arising at the AGM.)

No.	Resolutions relating to:	For	Against
	Ordinary Resolutions:		
1.	Adoption of Directors’ and Auditors’ Reports and Audited Accounts		
2.	Payment of proposed first and final dividend		
3.	Approval of Directors’ Fees amounting to \$150,000		
4.	Re-election of Mr Koh Chon Tong as a Director		
5.	Re-appointment of Mr Koh Long Cheok as a Director		
6.	Re-appointment of Dr Giam Choo Hoo as a Director		
7.	Re-appointment of Messrs Foo Kon Tan Grant Thornton as Auditors		
	Special Business:		
8.	Approval to allot and issue of shares or convertible securities pursuant to Section 161 of the Companies Act, Cap. 50		
9.	Authority to issue shares at a discount		

* Delete accordingly

Dated this _____ day of _____ 2009

Total Number of Shares held

Signature(s) of Shareholder(s)/or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 50 Defu Lane 7 Singapore 539356, not less than 48 hours before the time appointed for the meeting.
4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent. of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The submission of an instrument or form appointing a proxy by a member does not preclude him/her from attending and voting in person at the meeting if he/she so wishes.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

