

**HLI LIMITED**

**ABN 87 009 085 974**

**ANNUAL REPORT 2008**

# HLI Limited

ACN 009 085 974

## **CORPORATE DIRECTORY**

### ***Directors***

John Cawood - *Chairman*  
Michael Knee - *Managing Director*  
Anthony Kiernan  
Andrew Williams  
Phillip Lucas (resigned 6 February 2008)  
Paul Jacobs (resigned 22 September 2008)  
Andrew McLean (appointed 11 February 2008)

### ***Company Secretary***

Simon Storm

### ***Registered Office***

Unit 1  
43 King Edward Road  
Osborne Park WA 6017  
Telephone: (61 8) 6267 4534  
Facsimile: (61 8) 6267 4568  
Email: [corporate@hailian.com.au](mailto:corporate@hailian.com.au)  
Web Site: [www.hailian.com.au](http://www.hailian.com.au)

### ***Share Registry***

Computershare Registry Services Pty Ltd  
Level 2 Reserve Bank Building  
45 St Georges Terrace  
Perth WA 6000  
Telephone: (61 8) 9323 2000  
Facsimile: (61 8) 9323 2033  
Email: [perth.services@computershare.com.au](mailto:perth.services@computershare.com.au)  
Web Site: [www.computershare.com.au](http://www.computershare.com.au)

### ***Auditors***

HLB Mann Judd  
Chartered Accountants  
15 Rheola Street  
West Perth WA 6005

### ***Bankers***

Bank of Western Australia Limited  
BankWest Tower  
108 St Georges Terrace  
Perth WA 6000

### ***Securities Exchange Listing***

The Company's shares are quoted on the Official List of Australian Securities Exchange Limited under the code HLI. As at the date of this report, the shares are suspended from trading.

# **HLI Limited**

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## **DIRECTORS' REPORT**

### **REVIEW OF OPERATIONS**

The Directors present their report on the company and its controlled entities for the year ended 30 June 2008.

### **DIRECTORS**

The Directors in office during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

#### **John Cawood** **Non-Executive Chairman**

Mr. Cawood was appointed to the Board on 16<sup>th</sup> March 2005 and holds degrees in Arts and Law.

In his early years Mr. Cawood practiced as a Solicitor and for over 25 years has been involved in property development and other investments. Mr. Cawood has owned developed and completed properties in excess of \$500 million and holds directorships in a number of private entities.

#### **Michael Knee** **Managing Director**

Mr Knee is 54 years of age and has been involved in the integrated property services industry for over 30 years and built one of the largest contract cleaning businesses in Western Australia. This business was sold to OCS Group Pte. Ltd of the UK in 2002.

Mr Knee has extensive management experience in the telecommunications, health and beauty and education industry and is a Director of several private companies. Mr. Knee is an Associate Fellow of The Australian Institute of Management.

#### **Anthony Kiernan** **Non-Executive Director**

Mr. Kiernan is a Solicitor. He has considerable experience in the administration and operation of listed public companies and practises in the areas of media, resources and information technology law.

In addition to his legal practice, Mr Kiernan provides commercial and corporate advice to various entities. He is a director and Chairman of BC Iron Ltd and Solbec Pharmaceuticals Ltd and a director of Uranium Equities Ltd, Liontown Resources Ltd, Chalice Gold Mines Ltd and North Queensland Metals Ltd all listed on Australian Stock Exchange. He is also Chairman of Anglicare (WA).

#### **Andrew Williams** **Non-Executive Director**

Mr. Williams was appointed to the Board on 16<sup>th</sup> March 2005 and is Chief Executive of the Capital Land Group of Companies. Mr. Williams had extensive managerial experience with companies such as 3M and Pepsi Co Australia prior to his current position and is a Director of several private companies.

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## DIRECTORS' REPORT

**Andrew McLean** (appointed 11 February 2008)

**Non-Executive Director**

Mr. McLean was appointed to the Board on 11th February 2008. Mr. McLean has more than 20 years experience in the telecommunications industry, founded Amcom in 1988. He has experience in plant construction, maintenance and transmission systems for New Zealand Telecom and has worked on major projects in New Zealand, Australia, South America and South East Asia. Mr. McLean also had extensive involvement in the design and implementation of optical fibre networks and associated equipment.

**Phillip Lucas** (resigned 6 February 2008)

**Non-Executive Director**

Mr. Lucas was appointed to the Board on 4<sup>th</sup> July 2005 and is a principal with the West Perth commercial legal firm Pullinger Readhead Lucas and is also a principal of the boutique legal firm Tabasco Technology Lawyers. Mr. Lucas has over 16 years experience as a commercial lawyer practicing principally in the corporate and technology related areas of law, together with experience acting for a number of ASX listed companies.

**Paul Jacobs** (resigned 22 September 2008)

**Non-Executive Director**

Mr. Jacobs was appointed to the Board on 27 July 2005 and is a broker with the independent Australian investment banking and stock broking firm BBY Limited in Sydney. Mr. Jacobs has 31 years experience in the capital markets and previously held senior positions with Societe Generale in various roles as fixed interest dealer and principal futures and commodity trader.

## COMPANY SECRETARY

**Simon Storm**

Mr Storm is a Chartered Accountant with over 20 years of Australian and international experience in the accounting profession and commerce. He commenced his career with Deloitte Haskins & Sells in Africa then London before joining Price Waterhouse in Perth. He has held various senior finance and/or company secretarial roles with listed and unlisted entities in the banking, resources, construction, telecommunications and property development industries. In the last 5 years he has provided consulting services covering accounting, financial and company secretarial matters to various companies in these sectors.

## PRINCIPAL ACTIVITIES

The Company has effectively been dormant over the last year as directors considered the future direction of the Company. The Directors continue to consider new opportunities, although no decisions have been made or commitments entered into.

## RESULTS OF OPERATIONS

The consolidated loss after income tax was \$187,029 (2007: \$199,126)

## DIVIDENDS

No current year interim or final dividend has been paid or provided for during the year.

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## **DIRECTORS' REPORT**

### **REVIEW OF OPERATIONS**

In May 2008 the Directors advised that the Company had entered into a heads of agreement with Zoogole Interactive Ltd ('Zoogole') and its shareholders to purchase 100% of Zoogole.

The Company carried out its due diligence on Zoogole and prepared itself for all corporate and regulatory issues arising as a consequence of this transaction.

Unfortunately due to late difficulties with the vendors, the deal with Zoogole was terminated.

Directors have been reviewing various business proposals with the view to these forming the backbone of an application to ASX for reinstatement of the Company's securities.

Some Board members have advanced at significant risk further unsecured funds to the Company. If those funds had not been provided the Company would not exist today. In addition, certain executives and consultants have forgone salaries and fees, agreeing to take shares in the Company in lieu.

The Company has investigated numerous business proposals encompassing a range of business activities. We have made exhaustive investigations on a number of these, however concluded they or the required terms were not appropriate.

In June 2009, the company announced that it had entered into a Heads of Terms with FCP Advisory [HK] Limited ("FCP") whereby the Company and FCP will work together with the intention of developing business opportunities and undertaking investments in the beauty and health market sectors. As part of this agreement, in July 2009, the company received \$52,500 from FCP to assist the company with its initial restructuring costs.

### **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There have been no significant changes to the affairs of the company.

### **OPTIONS**

At the date of this report there are no options on issue. No shares have been issued since the end of the financial year as a result of the exercise of the options.

### **EVENTS SUBSEQUENT TO BALANCE DATE**

In June 2009, the company announced that it had entered into a Heads of Terms with FCP Advisory [HK] Limited ("FCP") whereby the Company and FCP will work together with the intention of developing business opportunities and undertaking investments in the beauty and health market sectors. As part of this agreement, on 8 July 2009, the company received \$52,500 from FCP to assist the company with its initial restructuring costs. The funds were advanced as a nil interest convertible loan where FCP has to right to convert the loan amount at anytime during the six months from drawdown by written notification to the Company. Should FCP opt to convert the loan amount, the Company agrees to issue the number of ordinary shares to FCP that represents 10.5% of the

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## **DIRECTORS' REPORT**

yet to be transacted reorganised equity of the company. If the loan amount is not converted to equity at the end of the term, and a planned rights issue contemplated under the Heads of Terms is not completed within 90 days of the receipt of shareholder approval for the FCP transaction, HLI has 60 days in which to repay to FCP only to the extent that the Company has the financial capacity to do so.

On 27 November 2009, the Company announced it is to acquire 100% of the shares of The Beauty Spa Company Pty Ltd and related entities ("TBSC") for a total consideration of \$3,300,000, to be paid in the form of 27,500,000 new ordinary shares in HLI to be issued at a price of AUD0.12 per share and 27,500,000 options priced at AUD0.20 valid for a period of 3-years from the date of issue. To complete the transaction, the Company will need to undergo a capital reorganisation of its shares which will be part of the shareholder approval process referred to below. The shares to be issued to complete the transaction will be post reorganisation of HLI's capital structure. The acquisition will be subject to completion of final due diligence and shareholder approval at an Extraordinary General Meeting, the date of which has yet to be set. These conditions need to be satisfied by 26 February 2010 unless the Company and the vendor of the shares agree to extend the date for completion.

Following completion of the transaction, it is proposed a rights issue will be undertaken to provide expansion and operating capital.

The Company has received confirmation that based on 30 June 2009 accounts:-

- trade creditors owed \$181,806 (net of GST) will accept an issue of 72,722,458 fully paid ordinary shares in full settlement of all the Company's outstanding obligations (GST on equity settled/to be settled trade creditors amounts to \$24,143) subject to shareholder and other regulatory approvals; and
- loans from directors and others owed \$154,733 will accept an issue of 154,733,000 fully paid ordinary shares in full settlement of all the Company's outstanding obligations, subject to shareholder and other regulatory approvals.

Other than this, there were no significant events which have occurred subsequent to the end of the financial year.

### **LIKELY DEVELOPMENTS AND OBJECTIVES**

The Company has limited financial resources; however has sufficient funding necessary to meet its commitments as and when they fall due.

The Company and FCP will work together with the intention of developing business opportunities and undertaking investments in the beauty and health market sectors to enable it to recommence trading and make application to ASX for the lifting of the suspension of its shares. An application to ASX would need to comply with relevant Listing Rule requirements.

### **FINANCIAL REVIEW AND FUTURE PERFORMANCE**

The Company obtained voluntary suspension from the Australian Stock Exchange in July 2004 pending resolution of issues surrounding its investment in China. As a consequence shareholder wealth has been adversely affected. The Directors have been looking for projects on which to build the future of the Company and shareholder wealth.

### **INDEMNIFICATION OF OFFICERS**

The Company has entered into Deeds pursuant to which the Company agrees to unconditionally and irrevocably indemnify the Officers (including Directors) of the Company for any claim, action or demand made against the Officers arising out of the discharge by the Officers of their respective duties to the Company.

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## DIRECTORS' REPORT

### DIRECTORS' MEETINGS

During the year ended 30 June 2008, the Directors held the following number of meetings and the attendance of Directors at those meetings are outlined below:

	Meetings Attended	Meetings Held during time as Director
Anthony Kiernan	7	7
Michael Knee	7	7
Phillip Lucas	3	4
Paul Jacobs	2	6
Andrew Williams	7	7
John Cawood	4	7
Andrew McLean	2	3

### NON AUDIT SERVICES

The board of directors is satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are of the opinion that the services do not compromise the auditor's independence as all non audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services provided undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 as issued by the Accounting Professional and Ethical Standards Board. HLB Mann Judd received or are due to receive the following amounts for the provision of non audit services:

Work on preparation of independent expert's report for Zoogole deal \$7,750

### REMUNERATION REPORT (audited)

#### REMUNERATION POLICY

For the purposes of disclosing Executive Officers' remuneration, there were no such Officers, other than the Directors, who were involved in, concerned in, or who took part in the management of the affairs of HLI Limited or its controlled entities. The remuneration policy to directors is not linked to performance other than it is monitored by the Board who if consider the remuneration inappropriate would vary or terminate the same.

Consulting services were provided by Yarra Brae Holdings Pty Ltd, a Company associated with the Managing Director, Michael Knee. Mr Kiernan also provided legal services at commercial rates. No other Director or their companies provided contract services to the Company. There are no contracts between the Company and the directors or their associated companies.

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## DIRECTORS' REPORT

### REMUNERATION OF DIRECTORS

The remuneration for each director and executive officer of the consolidated entity during the year was as follows:

#### 2008

##### Key Management Person

Name	Consulting <sup>1</sup>	Salary	Superannuation	Share based payments	Total
<b>Directors</b>					
A Kiernan	-	-	-	-	-
M Knee	24,000	-	-	-	24,000
P Lucas	-	-	-	-	-
P Jacobs	-	-	-	-	-
A Williams	-	-	-	-	-
J Cawood	-	-	-	-	-
<b>Company Secretary</b>					
S Storm	60,000	-	-	-	60,000
	<b>84,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>84,000</b>

#### 2007

##### Key Management Person

Name	Consulting <sup>1</sup>	Salary	Superannuation	Share based payments	Total
A Kiernan	-	-	-	-	-
M Knee	20,000	-	-	-	20,000
P Lucas	-	-	-	-	-
P Jacobs	-	-	-	-	-
A Williams	-	-	-	-	-
J Cawood	-	-	-	-	-
<b>Company Secretary</b>					
S Storm	15,000	-	-	-	15,000
	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,000</b>

**Note 1** – consulting service fees settled or to be settled through issue of shares in the Company.

### PERFORMANCE BASED REMUNERATION

There was no performance based remuneration received by the Directors during the year.



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## DIRECTORS' REPORT

### DIRECTORS' HOLDINGS

The Directors of the Company have a relevant interest in shares of the Company at the date of this report as follows.

<b>Director</b>	<b>Fully Paid Ordinary Shares</b>
A Kiernan	11,513,026
M Knee	40,177,129
J Cawood	60,987,130
A McLean	62,376,019

### AUDITOR'S INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2008, which forms part of the directors' report, has been received and can be found attached to the independent auditor's report.

Signed in accordance with a resolution of Directors.



**M KNEE**  
**Managing Director**

Perth, 3 December 2009

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## CORPORATE GOVERNANCE

### ASX Corporate Governance Council:

### Principles of Good Corporate Governance & Best Practice Recommendations

To the extent that they are applicable, and given its circumstances, the Company adopts the Eight Essential Corporate Governance Principles and Best Practice Recommendations ('Recommendations') published by the Corporate Governance Council of the ASX.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be afforded further consideration.

The Board sets out below its 'If not, why not?' report in relation to matters of corporate governance in which the Company's practices depart from the Recommendations.

## DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

### Summary Statement

Recommendation	ASX Principles and Recommendations	If not, why not	Recommendation	ASX Principles and Recommendations	If not, why not
1.1	X	Refer (a) below	4.3	n/a	n/a
1.2	X	Refer (a) below	4.4 <sup>3</sup>	n/a	n/a
1.3	X	Refer (a) below	5.1	X	Refer (h) below
2.1	X	Refer (b) below	5.2	n/a	n/a
2.2	√	Refer (b) below	6.1	X	Refer (i) below
2.3	√	Refer (b) below	6.2	n/a	n/a
2.4	X	Refer (c) below	7.1	X	Refer (j) below
2.5	X	Refer (d) below	7.2	n/a	n/a
2.6	√	Refer (e) below	7.3	√	Refer (k) below
3.1	X	Refer (f) below	7.4	n/a	n/a
3.2	√	Refer (g) below	8.1	X	Refer (l) below
3.3	X	Refer (f) below	8.2	n/a	n/a
4.1	X	Refer (c) below	8.3	n/a	n/a
4.2	n/a	n/a			

### (a) Principle 1 Recommendation 1.1, 1.2 and 1.3

#### *Notification of Departure*

The Company has not formally disclosed the functions reserved to the Board and those delegated to management. The appointment of non-executive directors to the Board is not formalised in writing by way of a letter or other agreement.

#### *Explanation for Departure:*

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management. The Board has established an informal framework for

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the management of the Company and the roles and responsibilities of the Board and management. Due to the small size of the Board and of the Company, the Board do not think that it is necessary to formally document the roles of Board and management as it believes that these roles are being carried out in practice and are clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that Shareholder value is increased. The Company has one executive, being the Managing Director. The Managing Director is responsible for ensuring that the Company achieves the goals established by the Board.

The appointments of non-executive directors are formalised in accordance with the regulatory requirements and the Company's constitution.

## **(b) Principle 2 Recommendations 2.1, 2.2, 2.3**

### *Notification of departure*

The Company does not have a majority of independent directors. Refer (e) below.

### *Explanation for departure*

The Board considers that the current composition of the Board is adequate for the Company's current size and operations and includes an appropriate mix of skills and expertise relevant to the Company's business. The current Board structure presently consists of the non-executive chairman, the managing director and 3 non-executive directors. The Company considers that each of the directors possess skills and experience suitable for building the Company. The Company has not been in a financial position to appoint any independent Directors.

## **(c) Principle 2 Recommendation 2.4 and Principle 4 Recommendations 4.1, 4.2, 4.3, 4.4**

### *Notification of Departure*

Separate audit and nomination committees have not been formed.

### *Explanation for Departure*

The Board considers that the Company is not currently of a size, or its affairs of such complexity, that the formation of separate or special committees is justified at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and ensure that it adheres to appropriate ethical standards.

In particular, the Board as a whole considers those matters that would usually be the responsibility of an audit committee and a nomination committee. The Board considers that, at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee or a separate nomination committee.

## **(d) Principle 2 Recommendation 2.5**

### *Notification of Departure*

The Company does not have in place a formal process for evaluation of the Board, its committees, individual directors and key executives.

### *Explanation for Departure*

Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as and when the level of operations of the Company justifies this.

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## (e) Principle 2 Recommendation 2.6

Companies should provide the information indicated in the Guide to Reporting on Principle 2.

### **Disclosure:**

#### **Skills, Experience, Expertise and term of office of each Director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

#### **Identification of Independent Directors**

There were no independent directors of the Company during the Reporting Period except for Paul Jacobs, who resigned on 22 September 2009.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations.

The Board currently comprises five Directors of whom four are non executive and one executive, with the following particular areas of expertise:

<b>Name</b>	<b>Position</b>	<b>Expertise</b>	<b>Independent</b>
John Cawood	Chairman (Non-Executive)	Commerce	No
Michael Knee	Managing Director (Executive)	Commerce	No
Anthony Kiernan	Director (Non-Executive)	Law and commerce	No
Andy Williams	Director (Non-Executive)	Commerce	No
Andrew McLean	Director (Non-Executive)	Commerce	No

#### **Statement concerning availability of Independent Professional Advice**

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

#### **Nomination Matters**

The full Board sits in its capacity as a Nomination Committee.

#### **Performance Evaluation**

During the Reporting Period the performance evaluations for the Board and individual directors did occur in accordance with the disclosed process in Recommendation 2.5.

#### **Selection and Reappointment of Directors**

The Board considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

Each director other than the managing director must retire from office no later than the longer of the third annual general meeting of the company or 3 years following that director's last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Reappointment of directors is not automatic.

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## **(f) Principle 3 Recommendation 3.1, 3.3**

### *Notification of Departure*

The Company has not established a formal code of conduct.

### *Explanation for Departure:*

The Board considers that its business practices, as determined by the Board and key executives, are the equivalent of a code of conduct.

## **(g) Principle 3 Recommendation 3.2**

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

### **Disclosure:**

The board has adopted a policy which prohibits dealing the Company's securities by directors, officers and employees when those persons possess inside information. The policy prohibits short term or speculative trading of the Company's securities. The policy provides that permission be obtained from the Chairman prior to trading.

## **(h) Principle 5 Recommendation 5.1, 5.2**

### *Notification of Departure*

The Company has not established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for compliance.

### *Explanation for Departure*

The Directors have a long history of involvement with public listed companies and are familiar with the disclosure requirements of the ASX listing rules.

The Company has in place informal procedures that it believes are sufficient for ensuring compliance with ASX Listing Rule disclosure requirements and accountability for compliance. The Board has nominated the Managing Director and the Company Secretary as being responsible for all matters relating to disclosure.

## **(i) Principle 6 Recommendation 6.1, 6.2**

### *Notification of Departure*

The Company has not established a formal Shareholder communication strategy.

### *Explanation for Departure*

While the Company has not established a formal Shareholder communication strategy, it communicates through ASX on a quarterly basis providing an update of its activities.

## **(j) Principle 7 Recommendation 7.1, 7.2**

### *Notification of Departure*

The Company has an informal risk oversight and management policy and internal compliance and control system.

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## *Explanation for Departure*

The Board does not currently have formal procedures in place but is aware of the various risks that affect the Company and its particular business. As the Company progresses to the next stage of its corporate cycle, the Board will develop appropriate procedures to deal with risk oversight and management and internal compliance, taking into account the size of the Company and the stage of development of its projects.

## **(k) Principle 7 Recommendation 7.3**

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

### **Disclosure:**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

## **(l) Principle 8 Recommendations 8.1**

### *Notification of departure*

The Company does not have a formal remuneration policy and has not established a separate remuneration committee. At present no fees are paid to Directors.

### *Explanation for Departure*

The current remuneration of the Directors is disclosed in the Directors' Report.

Due to the Company's small size, it does not consider that a separate remuneration committee would add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board believes would be more appropriate to set aside time at specified Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with regulatory requirements, especially in respect of related party transactions; that is, none of the Directors will participate in any deliberations regarding their own remuneration or related issues.

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## DIRECTORS' DECLARATION

In the opinion of the directors of HLI Limited ("the company") we state that:

- a) The financial report and the additional disclosures included in the directors' report designated as audited, of the company, are in accordance with the Corporations Act 2001, including:
  - i. Giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - ii. Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable with the support of the Directors.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer for the financial year ended 30 June 2008.

This declaration is made in accordance with a resolution of the directors:



**M Knee**  
**Managing Director**

Perth, 3 December 2009

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## INCOME STATEMENT for the year ended 30 June 2008

		Consolidated		Parent	
	Notes	2008 \$	2007 \$	2008 \$	2007 \$
<b>Revenue and Loss</b>					
Other income	3(a)	116	260	116	260
Occupancy expenses		(13,225)	(6,000)	(13,225)	(6,000)
Consulting & other fees	3(b)	(109,244)	(90,499)	(109,244)	(90,499)
Other expenses from ordinary activities		(18,911)	(21,560)	(18,911)	(21,560)
ASX fees		(21,456)	(15,728)	(21,456)	(15,728)
Share registry fees		(10,542)	(6,185)	(10,542)	(6,185)
Depreciation and amortisation expense		-	(400)	-	(400)
Impairment of plant and equipment		-	(7,608)	-	(7,608)
Finance costs		(13,767)	(51,406)	(13,767)	(51,406)
<b>Loss before income tax</b>		<b>(187,029)</b>	<b>(199,126)</b>	<b>(187,029)</b>	<b>(199,126)</b>
Income tax expense	4	-	-	-	-
<b>Net Loss attributable to members of parent entity</b>		<b>(187,029)</b>	<b>(199,126)</b>	<b>(187,029)</b>	<b>(199,126)</b>
<b>Basic earnings (loss) per share (cents)</b>		<b>(0.07)</b>	<b>(0.20)</b>		
<b>Diluted earnings (loss) per share (cents)</b>		<b>(0.07)</b>	<b>(0.20)</b>		

The accompanying notes form part of these financial statements.



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## BALANCE SHEET

as at 30 June 2008

	Notes	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents		5,201	32,432	5,201	32,432
Trade and other receivables	5	4,079	11,175	4,079	11,175
<b>Total Current Assets</b>		<b>9,280</b>	<b>43,607</b>	<b>9,280</b>	<b>43,607</b>
<b>Non-Current Assets</b>					
Investment	6	-	-	-	-
<b>Total Non-Current Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>		<b>9,280</b>	<b>43,607</b>	<b>9,280</b>	<b>43,607</b>
<b>Current Liabilities</b>					
Trade and other payables	7	162,530	98,595	162,530	98,595
Borrowings	8	126,118	97,351	126,118	97,351
<b>Total Current Liabilities</b>		<b>288,648</b>	<b>195,946</b>	<b>288,648</b>	<b>195,946</b>
<b>Total Liabilities</b>		<b>288,648</b>	<b>195,946</b>	<b>288,648</b>	<b>195,946</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(279,368)</b>	<b>(152,339)</b>	<b>(279,368)</b>	<b>(152,339)</b>
<b>Equity</b>					
Issued capital	9	30,430,065	30,370,065	30,430,065	30,370,065
Accumulated losses		(30,709,433)	(30,522,404)	(30,709,433)	(30,522,404)
<b>TOTAL EQUITY/(DEFICIENCY)</b>		<b>(279,368)</b>	<b>(152,339)</b>	<b>(279,368)</b>	<b>(152,339)</b>

The accompanying notes form part of these financial statements.

# HLI Limited

ACN 009 085 974

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2008

### CONSOLIDATED

	Share Capital Ordinary \$	Accumulated losses \$	Total Equity \$
<b>Balance at 1 July 2006</b>	29,679,062	(30,323,278)	(644,216)
Shares issued during the year	691,003	-	691,003
Loss attributable to members of parent entity	-	(199,126)	(199,126)
<b>Balance at 30 June 2007</b>	<b>30,370,065</b>	<b>(30,522,404)</b>	<b>(152,339)</b>
<b>Balance at 1 July 2007</b>	<b>30,370,065</b>	<b>(30,522,404)</b>	<b>(152,339)</b>
Shares issued during the year	<b>60,000</b>	-	<b>60,000</b>
Loss attributable to members of parent entity	-	<b>(187,029)</b>	<b>(187,029)</b>
<b>Balance at 30 June 2008</b>	<b>30,430,065</b>	<b>(30,709,433)</b>	<b>(279,368)</b>
	-	-	-

### PARENT ENTITY

	Share Capital Ordinary	Accumulated losses	Total Equity
<b>Balance at 1 July 2006</b>	29,679,062	(30,323,278)	(644,216)
Shares issued during the year	691,003	-	691,003
Loss attributable to members of parent entity	-	(199,126)	(199,126)
<b>Balance at 30 June 2007</b>	<b>30,370,065</b>	<b>(30,522,404)</b>	<b>(152,339)</b>
<b>Balance at 1 July 2007</b>	<b>30,370,065</b>	<b>(30,522,404)</b>	<b>(152,339)</b>
Shares issued during the year	<b>60,000</b>	-	<b>60,000</b>
Loss attributable to members of parent entity	-	<b>(187,029)</b>	<b>(187,029)</b>
<b>Balance at 30 June 2008</b>	<b>30,430,065</b>	<b>(30,709,433)</b>	<b>(279,368)</b>

The accompanying notes form part of these financial statements.

# HLI Limited

ACN 009 085 974

## CASH FLOW STATEMENT for the year ended 30 June 2008

	Notes	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(42,347)	(80,924)	(42,347)	(80,924)
Interest received		116	260	116	260
<b>Net cash outflow from operating activities</b>	<b>13</b>	<b>(42,231)</b>	<b>(80,664)</b>	<b>(42,231)</b>	<b>(80,664)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		15,000	90,000	15,000	90,000
<b>Net cash inflow from financing activities</b>		<b>15,000</b>	<b>90,000</b>	<b>15,000</b>	<b>90,000</b>
<b>Net (decrease)/increase in cash held</b>		<b>(27,231)</b>	9,336	<b>(27,231)</b>	9,336
<b>Cash at the beginning of the financial period</b>		<b>32,432</b>	23,096	<b>32,432</b>	23,096
<b>Cash at the end of the financial period</b>		<b>5,201</b>	32,432	<b>5,201</b>	32,432

The accompanying notes form part of these financial statements.

# HLI Limited

ACN 009 085 974

## Notes to the financial statements for the year ended 30 June 2008

### 1. Basis Of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of HLI Limited as an individual parent entity and Ezesofwrite Pty Ltd the controlled entity. HLI Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of HLI Limited and the controlled entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

This report was authorised for issue on 2 December 2009.

#### (a) Going Concern

The financial statements have been prepared on a going concern basis notwithstanding the deficiency in net assets of \$279,368. The directors believe that this basis is appropriate due to:

- I. Substantially reduced operating costs in the group;
- II. Creditors owed \$120,227 have agreed to receive shares in lieu of payment (net of GST);
- III. Certain directors, or their associates, owed \$126,118 have agreed, subject to shareholder approval, to receive shares in lieu of repayment;
- IV. In July 2009, the company received \$52,500 to assist the company with its initial restructuring pursuant to a heads of terms entered into on 12 June 2009 between the company and FCP Advisory (HK) Limited. FCP will participate in a strategic investment in the Company to assist with an expansion and growth in the beauty and health sectors in Australia and Asia; and
- V. A director advanced a further loan for working capital of \$20,000 to the Company during August 2008.

If the Group is unable to generate sufficient cash flows from the above activities, there may be a material adverse effect on the Group's ability to continue as a going concern.

The financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the company does not continue as a going concern.

#### (b) Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### (c) Principles of Consolidation

A controlled entity is any entity HLI Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

### 2. Significant Accounting Policies

The accounting policies set out below have been consistently applied to all years presented.

#### (a) Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (b) Acquisition of Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### (c) Impairment of Assets

At each reporting date, the directors assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the directors make a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### (d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### (e) Revenues

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

### (f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

### (g) Statement of compliance

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8. AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

# **HLI Limited**

**ACN 009 085 974**

## **Notes to the financial statements** for the year ended 30 June 2008

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Account Standards arising from AASB 123 (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and interpretations 1 & 12). The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007 – 8 Amendments to Australian Accounting Standards arising from AASB 101. A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of recognised income and expense, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### 3. LOSS FROM ORDINARY ACTIVITIES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Profit / (loss) before income tax includes the following items of revenue and expense:				
<b>(a) Operating Revenue</b>				
Interest received	116	260	116	260
Other income	-	-	-	-
Total operating revenue	<u>116</u>	<u>260</u>	<u>116</u>	<u>260</u>
	Consolidated		Parent	
	2008	2007	2008	2007
<b>(b) Expenses</b>				
Occupancy expenses	<u>(13,225)</u>	<u>(6,000)</u>	<u>(13,225)</u>	<u>(6,000)</u>
Consulting & other fees				
- share based payment for company secretarial and accounting services	(60,000)	(15,000)	(60,000)	(15,000)
- other consulting fees	<u>(49,244)</u>	<u>(75,499)</u>	<u>(49,244)</u>	<u>(75,499)</u>
	<u>(109,244)</u>	<u>(90,499)</u>	<u>(109,244)</u>	<u>(90,499)</u>
<b>Borrowing costs</b>				
Interest	<u>(13,767)</u>	<u>(51,406)</u>	<u>(13,767)</u>	<u>(51,406)</u>
<b>Depreciation</b>				
Software	-	(274)	-	(274)
Computer and Office equipment	-	(126)	-	(126)
Total depreciation	<u>-</u>	<u>(400)</u>	<u>-</u>	<u>(400)</u>
<b>Impairment of Software</b>	-	(5,228)	-	(5,228)
<b>Impairment of Computer and Office equipment</b>	-	(2,380)	-	(2,380)



# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### 4. INCOME TAX

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
The aggregate amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit / (loss)				
The differences are reconcile as follows:-				
Operating profit / (loss)	(187,029)	(199,126)	(187,029)	(199,126)
Prima facie income tax benefit on loss before income tax at 30% (2007: 30%)	(56,109)	(59,738)	(56,109)	(59,738)
Tax effect of				
- share based payments	18,000	-	18,000	-
Tax effect of timing differences				
Timing differences and tax losses not brought to account as deferred tax asset (revenue timing differences and losses)	38,109	59,738	38,109	59,738
Income tax expense / (benefit) attributable to Profit / (Loss)	-	-	-	-

#### (c) Tax losses

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Deferred tax asset relating to tax losses have not been brought to account as their realisation is not probable. The estimate of future income tax benefits not brought to account at 30% is:	4,636,257	4,598,148	4,636,257	4,598,148

The benefit of any tax losses will only be obtained if:

- (i) The company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) The company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation affect the company in realising the benefit from the deduction for the losses.

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### 5. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Other receivables	4,079	11,175	4,079	11,175
	<b>4,079</b>	<b>11,175</b>	<b>4,079</b>	<b>11,175</b>

### 6. NON CURRENT INVESTMENTS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Investment in controlled entity (Note 6 (b))	-	-	7,274,060	7,274,060
Less impairment	-	-	(7,274,060)	(7,274,060)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(b) Subsidiary of HLI Limited is set out below:

	Place of Incorporation	Equity holding		Carrying Value of Parent Entity's Investment	
		2008	2007	2008	2007
		%	%	\$	\$
Parent Entity: HLI Limited	Australia				
Controlled Entity:- Ezesofwrite Pty Ltd	Singapore	100	100	-	-
				<b>-</b>	<b>-</b>

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### 7. TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Current</b>				
Trade payables	146,805	84,595	146,805	84,595
Sundry payables and accrued expenses	15,725	14,000	15,725	14,000
	<b>162,530</b>	<b>98,595</b>	<b>162,530</b>	<b>98,595</b>

Trade payables owed \$120,227 have agreed to receive shares in lieu of payment (net of GST)

### 8. BORROWINGS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Current</b>				
Unsecured loans - interest bearing <sup>1</sup>	111,118	97,351	111,118	97,351
Unsecured loans - non interest bearing	15,000	-	15,000	-
	<b>126,118</b>	<b>97,351</b>	<b>126,118</b>	<b>97,351</b>

Note 1 - These unsecured loans accrue interest at 13.3% and these funds will not be called for repayment. The lenders have agreed to convert these loans to equity.

### 9. ISSUED CAPITAL

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Issued Capital				
262,856,506 (2007: 238,856,506) ordinary shares fully paid	30,430,065	30,370,065	30,430,065	30,370,065

#### Movement in Share Capital

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at the beginning of the financial year	30,370,065	29,679,062	30,370,065	29,679,062
Shares issued to cancel debt 47,599,200 at 0.0025 cent	-	118,998	-	118,998
Shares issued to cancel debt 48,856,728 at 0.0061 cent	-	299,757	-	299,757
Shares issued to cancel debt 11,458,300 at 0.01 cent	-	114,583	-	114,583
Shares issued to cancel debt 31,533,000 at 0.005 cent	-	157,665	-	157,665
Shares issued to cancel payable 12,000,000 at 0.0025 cent	30,000	-	30,000	-
Shares issued to cancel payable 12,000,000 at 0.0025 cent	30,000	-	30,000	0
	<b>30,430,065</b>	<b>30,370,065</b>	<b>30,430,065</b>	<b>30,370,065</b>

Ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held. Ordinary shares entitle their shareholder to one vote, either in person or by proxy, at a meeting of the company.

# HLI Limited

ACN 009 085 974

## Notes to the financial statements for the year ended 30 June 2008

### 9. ISSUED CAPITAL (continued)

	Consolidated	
	2008 Number	2007 Number
(b) Shares on issue		
Opening balance	238,856,506	99,409,278
Shares issued to cancel debt	-	47,599,200
Shares issued to cancel debt	-	48,856,728
Shares issued to cancel debt	-	11,458,300
Shares issued to cancel debt	-	31,533,000
Shares issued to cancel payable	12,000,000	-
Shares issued to cancel payable	12,000,000	-
	<u>262,856,506</u>	<u>238,856,506</u>

### (c) Options - Summary

Opening balance	-	13,250,000
Options issued	-	-
Options expired	-	(13,250,000)
	<u>-</u>	<u>-</u>

### 10. DIVIDENDS

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Franking credits available for subsequent years	887,159	887,159	887,159	887,159

### 11. KEY MANAGEMENT PERSONNEL COMPENSATION

- (a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

John Cawood – *Chairman – non-executive*

Michael Knee - *Managing Director*

Anthony William Kiernan – *non-executive*

Andrew Williams – *non-executive*

Phillip Lucas – *non-executive* (resigned 6 February 2008)

Paul Jacobs – *non-executive* (resigned 22 September 2008)

Andrew McLean *non-executive* (appointed 11 February 2008)

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

(b) Compensation Practices

For the Consolidated Entity's remuneration policy, please refer to the Directors' report.

(c) Key Management Personnel Compensation

The Company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed entities from providing remuneration disclosures in relation to their specified directors in their annual financial reports by Accounting Standard AASB 1046 "Director and Executive Disclosures by Disclosing Entities". These remuneration disclosures are provided in the Directors' Report under Remuneration Report and designated as audited.

(d) Compensation Options

No options were granted as compensation during the year.

(e) Options Holdings of Key Management Personnel and their related parties

No options were granted as compensation during the year.

(f) Shareholdings of Key Management Personnel and their related parties

Number of shares held either directly or indirectly by the Directors of the Company at the reporting date

Directors Shares	Ordinary	Balance at the start of the year	Granted as remuneration	Other changes during the year	Balance at the end of the period
A Kiernan		11,513,026	-	-	11,513,026
M Knee		32,861,215	-	7,315,914	40,177,129
A McLean (appointed 11 Feb 08)		-	-	62,376,019	62,376,019
J Cawood		60,987,130	-	-	60,987,130
<hr/>					
<b>Other Key Management Personnel Ordinary Shares</b>					
S Storm		-	-	24,000,000	24,000,000
<hr/>					

## 12. RELATED PARTY DISCLOSURES

### (a) Transactions with Directors and Director related entities

The following transactions with Directors, Director-Related Entities and former Directors occurred on normal commercial terms and conditions:

- (i) Consulting fees of \$9,594 (2007: \$15,029) were paid or payable to A W Kiernan and \$24,000 (2007: \$20,000) to M Knee for professional services rendered throughout the year.

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### 13. NOTES TO THE STATEMENT OF CASHFLOWS

(i) Reconciliation of net cash inflows/ from operating activities to operating loss	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Operating loss after income tax</b>	<b>(187,029)</b>	<b>(199,126)</b>	<b>(187,029)</b>	<b>(199,126)</b>
Depreciation and amortisation	-	400	-	400
Transfer of consulting fees payable and incurred to unsecured loan	-	17,600	-	17,600
Transfer of interest payable and incurred to unsecured loan	-	51,406	-	51,406
Movement in taxes payable	-	(3,332)	-	(3,332)
Equity-settled share-based payment	<b>60,000</b>	-	<b>60,000</b>	-
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	<b>7,096</b>	-	<b>7,096</b>	-
Increase/(decrease) in payables and borrowings	<b>77,702</b>	44,780	<b>77,702</b>	44,780
Write down of plant & equipment	-	7,608	-	7,608
<b>Net cash outflow from operating activities</b>	<b>(42,231)</b>	<b>(80,664)</b>	<b>(42,231)</b>	<b>(80,664)</b>

#### (ii) Non-cash financing and investing activities

Pursuant to an arrangement with the Company Secretary, fees for the provision of secretarial and accounting services are settled through the issue of shares by the company from time to time. During the financial year \$60,000 comprised an equity settled share based payment.

### 14. EARNINGS /(LOSS) PER SHARE

	Consolidated	
	2008 \$	2007 \$
Basic and diluted earnings per share	<b>(0.07)</b>	<b>(0.20)</b>
(a) Earnings (Loss) used in the calculation of basic and diluted earnings per share	<b>(187,029)</b>	<b>(199,126)</b>
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	<b>250,461,985</b>	<b>99,791,325</b>

# HLI Limited

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## Notes to the financial statements for the year ended 30 June 2008

### 15. AUDITORS' REMUNERATION

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Remuneration payable to the auditor of the parent entity for:				
- auditing or reviewing the financial report	7,900	6,800	7,900	6,800
- other services	7,750	10,507	7,750	10,507
	<b>15,650</b>	<b>17,307</b>	<b>15,650</b>	<b>17,307</b>

### 16. SEGMENT REPORTING

The company only operated in Australia during the year.

### 17. FINANCIAL INSTRUMENT DISCLOSURES

- (a) The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates and the effective weighted average interest rates on those financial assets and liabilities, are as follows:

	Weighted Average Effective Interest Rate		Non Interest Bearing		Fixed and Floating Interest Rate	
	2008	2007	2008	2007	2008	2007
	%	%	\$	\$	\$	\$
Financial Assets:						
Cash and cash equivalents	1.95%	1.95%	-	-	5,201	32,432
Trade receivables	0.0%	0.0%	4,079	11,175	-	-
Total Financial Assets			<b>4,079</b>	<b>11,175</b>	<b>5,201</b>	<b>32,432</b>
Financial Liabilities:						
Trade and other payables	0.0%	0.0%	162,530	98,595	-	-
Current borrowings	13.3%	13.3%	-	-	111,118	97,351
Total financial liabilities			<b>162,530</b>	<b>98,595</b>	<b>111,118</b>	<b>97,351</b>
Net Financial Assets			<b>(158,451)</b>	<b>(87,420)</b>	<b>(105,917)</b>	<b>(64,919)</b>

#### (b) Credit Risk

The company's maximum exposure to credit risk, excluding the value of any collateral or other security, in relation to each class of recognised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheets and notes to the financial statements.

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## Notes to the financial statements for the year ended 30 June 2008

The company does not have any material credit risk to any other single debtor group or group of debtors under financial arrangements entered into by the company.

### (c) Net Fair Values

The net fair values of all monetary financial assets and liabilities approximate their carrying values. No material financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheets and in the notes to and forming part of the financial statements.

## 18. SUBSEQUENT EVENTS

In June 2009, the company announced that it had entered into a Heads of Terms with FCP Advisory [HK] Limited ("FCP") whereby the Company and FCP will work together with the intention of developing business opportunities and undertaking investments in the beauty and health market sectors. As part of this agreement, on 8 July 2009, the company received \$52,500 from FCP to assist the company with its initial restructuring costs. The funds were advanced as a nil interest convertible loan where FCP has to right to convert the loan amount at anytime during the six months from drawdown by written notification to the Company. Should FCP opt to convert the loan amount, the Company agrees to issue the number of ordinary shares to FCP that represents 10.5% of the yet to be transacted reorganised equity of the company. If the loan amount is not converted to equity at the end of the term, and a planned rights issue contemplated under the Heads of Terms is not completed within 90 days of the receipt of shareholder approval for the FCP transaction, HLI has 60 days in which to repay to FCP only to the extent that the Company has the financial capacity to do so.

On 27 November 2009, the Company announced it is to acquire 100% of the shares of The Beauty Spa Company Pty Ltd and related entities ("TBSC") for a total consideration of \$3,300,000, to be paid in the form of 27,500,000 new ordinary shares in HLI to be issued at a price of AUD0.12 per share and 27,500,000 options priced at AUD0.20 valid for a period of 3-years from the date of issue. To complete the transaction, the Company will need to undergo a capital reorganisation of its shares which will be part of the shareholder approval process referred to below. The shares to be issued to complete the transaction will be post reorganisation of HLI's capital structure. The acquisition will be subject to completion of final due diligence and shareholder approval at an Extraordinary General Meeting, the date of which has yet to be set. These conditions need to be satisfied by 26 February 2010 unless the Company and the vendor of the shares agree to extend the date for completion.

Following completion of the transaction, it is proposed a rights issue will be undertaken to provide expansion and operating capital.

The Company has received confirmation that based on 30 June 2009 accounts:-

- trade creditors owed \$181,806 (net of GST) will accept an issue of 72,722,458 fully paid ordinary shares in full settlement of all the Company's outstanding obligations (GST on equity settled/to be settled trade creditors amounts to \$24,143) subject to shareholder and other regulatory approvals; and
- loans from directors and others owed \$154,733 will accept an issue of 154,733,000 fully paid ordinary shares in full settlement of all the Company's outstanding obligations, subject to shareholder and other regulatory approvals.

Other than this, there were no significant events which have occurred subsequent to the end of the financial year.



## INDEPENDENT AUDITOR'S REPORT

**To the members of  
HLI Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of HLI Limited (“the company”), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors’ declaration for both the company and the consolidated entity as set out on pages 14 to 31. The consolidated entity comprises the company and the entities it controlled at the year’s end or from time to time during the year.

#### *Directors’ Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor’s Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### *Auditor's Opinion*

In our opinion:

- (a) the financial report of HLI Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### *Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1(a) to the financial report which indicates that the Company is required to generate additional cash flows from various activities in order for it to continue as a going concern. If the Company is unable to raise additional cash flows, there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 6 to 7 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of HLI Limited for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.



**HLB MANN JUDD**  
Chartered Accountants



**Perth, Western Australia**  
**3 December 2009**

**L DI GIALLONARDO**  
Partner



Accountants | Business and Financial Advisers

### **Auditor's Independence Declaration**

As lead auditor for the audit of the financial report of HLI Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HLI Limited.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

**Perth, Western Australia  
3 December 2009**

**L DI GIALONARDO  
Partner, HLB Mann Judd**

# HLI Limited

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## **ADDITIONAL INFORMATION** *as at 26 November 2009*

### **(a) Number of Shareholders**

<b>Distribution</b>		<b>Shareholders</b>
1	1000	382
1001	5000	623
5001	10000	188
10001	100000	192
100001	& over	61
		<u>1,446</u>

### **(b) Marketable Parcels**

914 shareholders hold less than a marketable parcel (determined at last traded price of \$0.12).

### **(c) Substantial Shareholders**

Notified to the Company  
(5% or more of issued capital)

<b>Name</b>	<b>Number of shares</b>
Andrew McLean	62,376,019
Todbern Pty Ltd	60,987,130
Yarra Brae Holdings Pty Ltd	40,177,129
Sheena Storm	<u>24,000,000</u>

### **(d) Voting Rights**

For all shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

# HLI Limited

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## **ADDITIONAL INFORMATION** *as at 26 November 2009*

### **(e) Twenty Largest Shareholders**

The twenty largest Shareholders, on the basis of the 262,856,506 shares, hold 92.62% of the issued capital of the Company.

1	MR ANDREW MCLEAN <MCLEAN FAMILY A/C>	48,856,728	18.59%
2	TODBERN PTY LTD	47,599,200	18.11%
3	PROFESSOR LING XIAO	34,405,118	13.09%
4	YARRA-BRAE HOLDINGS PTY LTD	31,533,000	12.00%
5	MRS SHEENA JANE STORM	24,000,000	9.13%
6	TODBERN PTY LTD	13,387,930	5.09%
7	BLACK FLAG INVESTMENTS PTY LTD	12,908,180	4.91%
8	MR ANTHONY KIERNAN	11,458,300	4.36%
9	DUDLEY ROAD INVESTMENTS PTY LTD	6,359,485	2.42%
10	REEF SECURITIES LIMITED	2,038,409	0.78%
11	VAGG INVESTMENTS MANAGEMENT SERVICES PTY LTD	1,500,000	0.57%
12	FISKE NOMINEES LTD <MARBL 001 A/C>	1,445,716	0.55%
13	JCC INVESTMENTS PTY LTD	1,388,889	0.53%
14	MR CHENG CHOON OOI DUDLEY ROAD INVESTMENTS PTY LTD <MICHAEL KNEE	1,384,307	0.53%
15	FAMILY A/C>	1,038,215	0.39%
16	J P MORGAN NOMINEES AUSTRALIA LIMITED	999,217	0.38%
17	MR EDDY YIP HANG LEE	956,429	0.36%
18	MARKBY HOLDINGS LIMITED	900,000	0.34%
19	BANFF HOLDINGS PTY LTD	690,814	0.26%
20	MR ANDREW MCLEAN	611,111	0.23%
		<hr/>	
		243,461,048	92.62%

### **(f) Disclosure of circumstances affecting preliminary final report with the 2008 financial statements**

An accrual for legal expenses incurred in completing the draft notice of meeting for the Zoogole transaction has been reversed at 30 June 2008. As previously announced, the Zoogole deal did not proceed and the company did not receive an invoice for these additional legal fees. The effect of this was to reduce the net loss after tax from \$212,029 as reported in the Appendix 4E released to the ASX on 29 August 2008 to \$187,029.