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HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

華聯國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2017

The board of directors (the “Board”) of Hua Lien International (Holding) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2017 together with the comparative figures as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June 2017

| | | Six months ended | |
|--|--------------|-------------------------|--------------------|
| | | 30th June | |
| | | 2017 | 2016 |
| | | (unaudited) | (unaudited) |
| | <i>Notes</i> | HK\$'000 | HK\$'000 |
| Turnover | (3) | 118,224 | 148,900 |
| Cost of sales | | (78,723) | (128,734) |
| Gross profit | | 39,501 | 20,166 |
| Changes in fair value of biological assets | (11) | (6,346) | (27,266) |
| Other income | | 4,189 | 3,737 |
| Administrative expenses | | (31,267) | (40,006) |
| Change in fair value of derivative component of convertible notes | | (4,715) | (1,351) |
| Other operating expenses | (4) | (3,972) | (25,698) |
| Finance costs | (5) | (27,190) | (46,789) |
| Loss before income tax expense | | (29,800) | (117,207) |
| Income tax expense | (7) | — | — |
| Loss for the period | (6) | (29,800) | (117,207) |

** For identification purposes only*

| | Six months ended | |
|---|-------------------------|------------------|
| | 30th June | |
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| Loss for the period attributable to: | | |
| Owners of the Company | (25,339) | (96,876) |
| Non-controlling interests | (4,461) | (20,331) |
| | <u>(29,800)</u> | <u>(117,207)</u> |
| Other comprehensive loss for the period | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Exchange differences arising on translation of foreign operations | (5,171) | (107) |
| | <u>(34,971)</u> | <u>(117,314)</u> |
| Total comprehensive loss for the period | <u>(34,971)</u> | <u>(117,314)</u> |
| Total comprehensive loss for the period attributable to: | | |
| Owners of the Company | (30,602) | (96,990) |
| Non-controlling interests | (4,369) | (20,324) |
| | <u>(34,971)</u> | <u>(117,314)</u> |
| Loss per share | (8) | |
| — Basic (cents per share) | <u>(0.0116)</u> | <u>(0.0442)</u> |
| — Diluted (cents per share) | <u>(0.0116)</u> | <u>(0.0442)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2017

| | <i>Notes</i> | 30th June 2017 (unaudited) HK\$'000 | 31st December 2016 (audited) HK\$'000 |
|---|--------------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | (10) | 48,529 | 48,749 |
| Intangible assets | | <u>69,245</u> | <u>72,213</u> |
| Total non-current assets | | <u>117,774</u> | <u>120,962</u> |
| Current assets | | | |
| Biological assets — growing cane | (11) | 18,214 | 17,809 |
| Inventories | | 84,694 | 65,055 |
| Trade and other receivables | (12) | 105,747 | 228,481 |
| Bank balances, deposits and cash | | <u>175,252</u> | <u>112,210</u> |
| Total current assets | | <u>383,907</u> | <u>423,555</u> |
| Total assets | | <u>501,681</u> | <u>544,517</u> |
| Current liabilities | | | |
| Trade and other payables | (13) | 126,261 | 172,626 |
| Derivative component of convertible notes | | 3,647 | 4,571 |
| Liabilities component of convertible notes | | 42,654 | 41,185 |
| Amount due to non-controlling interests | | <u>424,328</u> | <u>410,909</u> |
| Total current liabilities | | <u>596,890</u> | <u>629,291</u> |
| Net current liabilities | | <u>(212,983)</u> | <u>(205,736)</u> |
| Total assets less current liabilities | | <u>(95,209)</u> | <u>(84,774)</u> |
| Non-current liabilities | | | |
| Derivative component of convertible notes | | 74,699 | 69,060 |
| Liabilities component of convertible notes | | <u>464,275</u> | <u>445,378</u> |
| Total non-current liabilities | | <u>538,974</u> | <u>514,438</u> |
| Net liabilities | | <u>(634,183)</u> | <u>(599,212)</u> |
| Capital and reserves | | | |
| Share capital | | 219,118 | 219,118 |
| Reserves | | <u>(746,418)</u> | <u>(715,816)</u> |
| Capital deficiency attributable to owners of the Company | | <u>(527,300)</u> | <u>(496,698)</u> |
| Non-controlling interests | | <u>(106,883)</u> | <u>(102,514)</u> |
| Total capital deficiency | | <u><u>(634,183)</u></u> | <u><u>(599,212)</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2017 have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). This should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost basis, except for biological assets of growing cane, which are measured at fair values. The accounting policies used in the condensed consolidated financial information for the six months ended 30th June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2016, except for as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements.

| | |
|------------------------|--|
| Amendments to HKAS 7 | Disclosure Initiative |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to HKFRS 12 | As part of the Annual Improvements to HKFRSs 2014-2016 Cycle |

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements, but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31st December 2017.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising from sale of goods during the period.

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on types of goods. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Supporting services to sweetener and ethanol business (the "Supporting services");
- Sugar cane growing and sugar manufacturing business (the "Sugar business"); and
- Ethanol biofuel business (the "Ethanol business").

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segments

| | Supporting services HK\$'000 | Sugar business HK\$'000 | Ethanol business HK\$'000 | Total HK\$'000 |
|---|---|--|--|---------------------------|
| Six months ended 30th June 2017 | | | | |
| Turnover | | | | |
| Segment turnover | 31,585 | 91,455 | — | 123,040 |
| Inter-segment sales | (4,816) | — | — | (4,816) |
| Sales to external customers | 26,769 | 91,455 | — | 118,224 |
| Segment results | 8,862 | (17,127) | 1,847 | (6,418) |
| Unallocated corporate expenses | | | | (5,791) |
| Finance costs | | | | (17,591) |
| Loss before tax | | | | (29,800) |
| At 30th June 2017 | | | | |
| Assets and liabilities | | | | |
| Segment assets | 254,195 | 219,172 | 10,981 | 484,348 |
| Corporate and other unallocated assets | | | | 17,333 |
| Total assets | | | | 501,681 |
| Segment liabilities | 76,687 | 470,291 | 3,157 | 550,135 |
| Corporate and other unallocated liabilities | | | | 585,729 |
| Total liabilities | | | | 1,135,864 |

3. TURNOVER AND SEGMENT INFORMATION (Continued)

| | Supporting services <i>HK\$ '000</i> | Sugar business <i>HK\$ '000</i> | Ethanol business <i>HK\$ '000</i> | Total <i>HK\$ '000</i> |
|---|--|---------------------------------------|---|---------------------------|
| Year ended 30th June 2016 | | | | |
| Turnover | | | | |
| Segment turnover | 26,064 | 125,329 | — | 151,393 |
| Inter-segment sales | (2,493) | — | — | (2,493) |
| | <u>23,571</u> | <u>125,329</u> | <u>—</u> | <u>148,900</u> |
| Sales to external customers | <u>23,571</u> | <u>125,329</u> | <u>—</u> | <u>148,900</u> |
| Segment results | (26,822) | (67,851) | (768) | (95,441) |
| Unallocated corporate expenses | | | | (2,606) |
| Finance costs | | | | (19,160) |
| Loss before tax | | | | <u>(117,207)</u> |
| At 31st December 2016 | | | | |
| Assets and liabilities | | | | |
| Segment assets | 303,864 | 209,819 | 10,772 | 524,455 |
| Corporate and other unallocated assets | | | | <u>20,062</u> |
| Total assets | | | | <u>544,517</u> |
| Segment liabilities | 140,233 | 439,051 | 2,887 | 582,171 |
| Corporate and other unallocated liabilities | | | | <u>561,558</u> |
| Total liabilities | | | | <u>1,143,729</u> |

Inter-segment sales are conducted with terms mutually agreed by both contract parties.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss/profit represents the loss from/profit earned by each segment without allocation of central administration costs, directors' salaries, interest income and finance costs. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

3. TURNOVER AND SEGMENT INFORMATION (Continued)

For the purposes of monitoring segment performance and allocating resources between segments.

- All assets are allocated to operating segment, other than certain bank balance and cash of head office.
- All liabilities are allocated to operating segments, other than accrual and other payables derivative component of convertible notes and convertible notes of head office.

Other reportable segment information

| Six months ended 30th June 2017 | Supporting services <i>HK\$'000</i> | Sugar business <i>HK\$'000</i> | Ethanol business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|--------------------------------------|--|--------------------------|
| Amounts included in the measure of segment profit or loss for segment assets: | | | | |
| Depreciation and amortisation | 2,972 | 2,422 | 20 | 5,414 |
| Allowance for doubtful debts in trade and other receivables | — | 1,004 | — | 1,004 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Six months ended 30th June 2016 | Supporting services <i>HK\$'000</i> | Sugar business <i>HK\$'000</i> | Ethanol business <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Amounts included in the measure of segment profit or loss for segment assets: | | | | |
| Depreciation and amortisation | 10,592 | 8,103 | 25 | 18,720 |
| Impairment loss on property, plant and equipment | — | 12,581 | — | 12,581 |
| Allowance for doubtful debts in trade and other receivables | 15,123 | — | — | 15,123 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

| | Six months ended | |
|--------------------|------------------|-----------------|
| | 30th June | |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| African countries | 26,769 | 23,571 |
| Jamaica | 71,465 | 124,829 |
| European countries | 19,990 | — |
| Barbados | — | 500 |
| | <hr/> | <hr/> |
| | 118,224 | 148,900 |
| | <hr/> <hr/> | <hr/> <hr/> |

The revenue information from operations above is based on the location of the customers.

Non-current assets

| | 30th June | 31st December |
|----------------------------|-----------------|-----------------|
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| African Countries | 25 | 43 |
| Jamaica | 48,464 | 48,662 |
| People's Republic of China | 69,285 | 72,257 |
| | <hr/> | <hr/> |
| | 117,774 | 120,962 |
| | <hr/> <hr/> | <hr/> <hr/> |

The non-current assets information is based on the location of assets.

4. OTHER OPERATING EXPENSES

| | Six months ended 30th June | |
|---|-------------------------------|---------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Amortisation of intangible assets | 2,968 | 10,575 |
| Allowance for doubtful debts in trade and other receivables | 1,004 | 15,123 |
| | <u>3,972</u> | <u>25,698</u> |

5. FINANCE COSTS

| | Six months ended 30th June | |
|---|-------------------------------|---------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| Amounts due to non-controlling interests | 11,294 | 16,904 |
| Bank borrowings | — | — |
| Imputed interest expenses on convertible notes | 20,366 | 19,731 |
| Net exchange (gains) losses on borrowings | (4,470) | 10,154 |
| | <u>27,190</u> | <u>46,789</u> |
| Total borrowing costs | 27,190 | 46,789 |
| Less: amount capitalized in the cost of qualifying assets | — | — |
| | <u>27,190</u> | <u>46,789</u> |

6. LOSS FOR THE PERIOD

| | Six months ended 30th June | |
|--|-------------------------------|--------------|
| | 2017 | 2016 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| <i>Loss for the period has been arrived at after charging:</i> | | |
| Depreciation of property, plant and equipment | <u>2,445</u> | <u>8,145</u> |

7. INCOME TAX EXPENSE

No provision for income tax has been made in the consolidated financial statements as the Company and its subsidiaries have no assessment profits or there is no taxation in relevant jurisdictions where they operate.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the period attributable to equity holders of the Company of HK\$25,339,000 (six months ended 30th June 2016: HK\$96,876,000), and the weighted average number of 2,191,180,000 (30th June 2016: 2,191,180,000) ordinary shares in issue during the period.

No adjustment has been made to the loss per share accounts presented for the period ended 30th June 2017 and 30th June 2016 in respect of dilution as the impacts of the convertible notes outstanding had an anti-dilutive effect on the loss per share presented.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2017 (six months ended 30th June 2016: Nil).

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$1,979,000 (six months ended 30th June 2016: HK\$12,474,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

| | 30th June 2017 (unaudited) HK\$'000 | 31st December 2016 (audited) HK\$'000 |
|--|--|--|
| Opening balance | 17,809 | 92,353 |
| Cane cultivation cost capitalised | 29,000 | 67,741 |
| Decrease in fair value of cane harvested | (22,325) | (63,199) |
| Change in fair value | (6,346) | (75,071) |
| Exchange realignment | 76 | (4,015) |
| | <hr/> | <hr/> |
| Carrying value at end of the period | 18,214 | 17,809 |
| | <hr/> <hr/> | <hr/> <hr/> |

The decrease of in fair value of growing cane for the period ended of approximately HK\$6,346,000 (six months ended 30th June 2016: approximately HK\$27,266,000) is reflected in the profit or loss.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of approximately HK\$97,148,000 (31st December 2016: HK\$210,600,000), within which of approximately HK\$88,913,000 (31st December 2016: HK\$189,930,000) is relating to trade customers of supporting services of sweetener and ethanol business and the remaining of approximately HK\$8,235,000 (31st December 2016: HK\$20,670,000) is relating to trade customers of sugar business in Jamaica.

The Group allows a credit period of 365 days (31st December 2016: 365 days) to its trade customers of supporting services of sweetener and ethanol business, 0 to 30 days (31st December 2016: 0 to 30 days) to trade customers of raw sugar trading and 60 days' credit period are granted to trade customers of molasses trading in Jamaica. The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

| | 30th June 2017 (unaudited) HK\$'000 | 31st December 2016 (audited) HK\$'000 |
|---------------|--|--|
| 0 - 30 days | 46,366 | 33,765 |
| 31 - 60 days | 4,114 | 5,398 |
| 61 - 90 days | 2,682 | 7,532 |
| 91 - 365 days | 4,614 | 6,508 |
| > 365 days | 39,372 | 157,397 |
| | <hr/> 97,148 <hr/> | <hr/> 210,600 <hr/> |

As at 30th June 2017, the Group's trade receivables included approximately HK\$50,782,000 (31st December 2016: approximately HK\$178,068,000) (see below for aging analysis) which were past due for which the Group had not provided for allowance for doubtful debts. These balances were due from customers of good credit quality with no history of default.

12. TRADE AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired:

| | 30th June 2017 (unaudited) HK\$'000 | 31st December 2016 (audited) HK\$'000 |
|------------------------|--|--|
| Overdue 1 - 90 days | 4,114 | 58,046 |
| Overdue 91 - 180 days | 2,682 | 1,432 |
| Overdue 181 - 365 days | 4,614 | 34,001 |
| Overdue >365 days | 39,372 | 84,589 |
| | <u>50,782</u> | <u>178,068</u> |

The Group's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. During the six months ended 30th June 2017, the Group charged approximately HK\$1,004,000 to profit and loss for additional allowance for doubtful debts. The balance of the allowance for doubtful debts of trade receivables is as follows:

| | 30th June 2017 (unaudited) HK\$'000 | 31st December 2016 (audited) HK\$'000 |
|--|--|--|
| Balance of allowance for doubtful debts of trade receivables | <u>41,118</u> | <u>40,114</u> |

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$47,895,000 (31st December 2016: approximately HK\$100,076,000), within which of approximately HK\$41,510,000 (31st December 2016: approximately HK\$81,533,000) is relating to trade payables of supporting services of sweetener and ethanol business and HK\$6,385,000 (31st December 2016: approximately HK\$18,543,000) is relating to trade payables of sugar business.

Credit period granted by trade creditors of supporting services of sweetener and ethanol business is 365 days (31st December 2016: 365 days) while credit period granted by trade creditors of sugar business in Jamaica external suppliers is from zero to 30 days (31st December 2016: zero to 30 days).

The following is an analysis of trade payables by age based on due date.

| | 30th June 2017 (unaudited) HK\$'000 | 31st December 2016 (audited) HK\$'000 |
|------------------------|--|--|
| Not yet due | 36,632 | 60,657 |
| Overdue 1 - 90 days | 5,856 | 28,296 |
| Overdue 91 - 180 days | 404 | 1,619 |
| Overdue 181 - 365 days | 67 | 4,173 |
| Overdue > 365 days | 4,936 | 5,331 |
| | <hr/> 47,895 <hr/> | <hr/> 100,076 <hr/> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the six months ended 30th June 2017, the turnover of the Group decreased by 20.6% to approximately HK\$118.2 million (six months ended 30th June 2016: approximately HK\$148.9 million).

The gross profit increased by approximately HK\$19.3 million to approximately HK\$39.5 million (six months ended 30th June 2016: approximately HK\$20.2 million) due to the improvement in overall gross profit percentage. The overall gross profit percentage increased by about 19.9% to approximately 33.4% (six months ended 30th June 2016: approximately 13.5%). As explained in below section in sugar cane growing and sugar manufacturing, the improvement in gross profit percentage was mainly due to the consecutive improvement in average selling price and the decrease in average production cost since last period.

The loss for the period decreased by HK\$87.4 million to approximately HK\$29.8 million (six months ended 30th June 2016: approximately HK\$117.2 million). As explained in below sections under supporting services to sweetener and ethanol business and sugar cane growing and sugar manufacturing, the decrease in loss before taxation was mainly due to the improvement in overall gross profit of approximately HK\$19.3 million, the decrease in loss on changes in fair value of biological assets of approximately HK\$20.9 million, the decrease in other operating expenses of HK\$21.7 million and the decrease in finance cost of approximately HK\$19.6 million during the period.

Basic loss per share for the period was HK1.16 cents (six months ended 30th June 2016: approximately HK4.42 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2017 (six months ended 30th June 2016: Nil).

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica

Business review

The Joyful Right Limited is the holding company of Pan-Caribbean Sugar Company Limited (“PCSC”) which has operated the three sugar estates, namely Bernard Lodge Sugar Estate, Monymusk Sugar Estate and Frome Sugar Estate and two sugar factories, namely Monymusk Sugar Factory and Frome Sugar Factory in Jamaica since 15 August 2011, a 70% indirectly owned subsidiary of the Company, together called “Joyful Right Group”. The following analysis of sugar cane growing and sugar manufacturing business in Jamaica is based on Joyful Right Group.

For the turnover, Joyful Right Group recorded a turnover of approximately J\$1,447.1 million (approximately HK\$91.5 million) for the six months ended 30th June 2017 (six months ended 30th June 2016: approximately J\$1,973.7 million (approximately HK\$125.3 million)). The decrease in turnover in Jamaican dollar of approximately J\$526.6 million (approximately HK\$33.3 million) was mainly due to the decrease in production output of approximately 60.4% in raw sugar and approximately 61.7% in molasses. Joyful Right Group produced approximately 17,000 tonnes of raw sugar and approximately 12,200 tonnes of molasses for the six months ended 30th June 2017 compared with approximately 42,900 tonnes of raw sugar and approximately 31,900 tonnes of molasses for the same period last year. Joyful Right Group crushed of approximately 207,300 tonnes of sugar cane for the six months ended 30th June 2017 compared with approximately 640,600 tonnes, a decrease of approximately 67.6% for the same period last year.

The table below shows geographical analysis of turnover of sugar and molasses.

| | Six months ended 30th June | | | | | |
|--------------------|----------------------------|---------------------|----------------------|--------------------|---------------------|----------------------|
| | 2017 | | | 2016 | | |
| | <i>J\$'million</i> | <i>HK\$'million</i> | <i>% of Turnover</i> | <i>J\$'Million</i> | <i>HK\$'million</i> | <i>% of Turnover</i> |
| By region | | | | | | |
| Jamaica | 1,130.8 | 71.5 | 78.1 | 1,965.8 | 124.8 | 99.6 |
| European countries | 316.3 | 20.0 | 21.9 | — | — | — |
| Barbados | — | — | — | 7.9 | 0.5 | 0.4 |
| | <u>1,447.1</u> | <u>91.5</u> | <u>100.0</u> | <u>1,973.7</u> | <u>125.3</u> | <u>100.0</u> |

As shown in above table, Jamaica remains the principal market for Joyful Right Group. The local sales in Jamaica accounted for approximately 78.1% (six months ended 30th June 2016: 99.6%) of total sales and the export to European countries accounted for approximately 21.9% (six months ended 30th June 2016: the export to Barbados of approximately 0.4%). It is because the average selling price in Jamaica for this period is still higher than that in international market and Joyful Right therefore will fulfill all local demand before export the excess overseas.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of J\$391.0 million (approximately HK\$24.7 million) for the six months ended 30th June 2017 (six months ended 30th June 2016: approximately J\$165.0 million (approximately HK\$10.5 million)). The gross ratio is improved by approximately 18.6% and increased to 27.0% for the six months ended 30th June 2017 compared with gross loss ratio of approximately 8.4% for the same period last year. The improvement in gross profit percentage was mainly due to the improvement in average selling price in Jamaican dollars by approximately 18.4% for raw sugar and approximately 10.7% for molasses during the period and decrease in the average per-unit cost of raw sugar sold by about 5.1% and the average per-unit cost of molasses sold by about 18.0% during the period. The average selling price for raw sugar and molasses for the six months ended 30th June 2017 was approximately J\$91,300 (approximately HK\$5,800) and approximately J\$16,200 (approximately HK\$1,024) per tonne respectively compared the average selling price per tonne of raw sugar of approximately J\$77,600 (approximately HK\$4,900) and approximately J\$14,700 (approximately HK\$933) per tonne of molasses respectively for first half of 2016. The average per-unit cost of raw sugar and molasses sold for the six months ended 30th June 2017 was approximately J\$67,400 (approximately HK\$4,300) per tonne and approximately J\$11,000 (approximately HK\$695) per tonne respectively compared the average per-unit cost of raw sugar and molasses sold of approximately J\$71,000 (approximately HK\$4,500) and approximately J\$13,500 (approximately HK\$857) per tonne respectively for first half of 2016. These factors have resulted in an increase in gross profit in first half of 2017.

In terms of net operation results, the Joyful Right Group recorded a net loss of approximately J\$245.6 million (approximately HK\$17.1 million) for the six months ended 30th June 2017 (six months ended 30th June 2016: approximately J\$1,063.2 million (approximately HK\$67.5 million)). The decrease in net loss of approximately J\$816.4 million (approximately HK\$51.6 million) was due to an approximately J\$226.0 million (approximately HK\$17.2 million) increase in gross profit that had explained above, an approximately J\$329.0 million decrease in fair value loss on biological assets for reason of approximately 16.7% improvement in sugar cane price and an approximately J\$236.0 million (approximately HK\$14.9 million) decrease in finance cost mainly due to the decrease in foreign currency losses of approximately J\$147.3 million (approximately HK\$9.3 million) during the period.

Supporting services to sweetener and ethanol business

Business review

For the six months ended 2017 and 2016, all the customers of supporting services to sweetener and ethanol business, except the inter-segment sales for the six months ended 2017 and 2016 to Jamaica and Benin, was located in African countries.

The turnover from external customers for the six months ended 30th June 2017 was of approximately HK\$26.8 million (six months ended 30th June 2016: approximately HK\$23.6 million). The increase in turnover of approximately HK\$3.2 million was mainly due to the net effect of the increase of approximately HK\$8.5 million in orders for consumables procurement and technical support services, the approximately HK\$1.5 million decrease in orders for fixed asset procurement and the approximately HK\$3.8 million decrease in orders for chemicals and fertilizer procurement. The increase in sales for consumables procurement and technical support services was due to the replenishment orders of our customers, the decrease in sales of fixed assets was mainly due to the cyclical effect from the slow growth in raw sugar price that have lengthened the fixed assets investment cycle and the decrease in sales of chemicals and fertilizers due to the delay of the shipment to second half of the year.

The gross profit after elimination of inter-segment profit for the six months ended 30th June 2017 was of approximately HK\$14.8 million (six months ended 30th June 2016: approximately HK\$9.1 million). The gross profit ratio after elimination of inter-segment sales increased by approximately 13.1% to approximately 55.2% (six months ended 30th June 2016: approximately 42.1%). The increase in gross profit was mainly brought by the change in sales mix of increasing the sales of higher gross profit products of consumables.

The operating profit of this segment that after elimination of inter-segment profit for the six months ended 30th June 2017 was of approximately HK\$8.9 million (six months ended 30th June 2016: operating loss of approximately HK\$26.8 million). The increase of approximately HK\$35.7 million in operating profit was due to the approximately HK\$6.1 million decrease in administration expense as a result of the reduction in number of staff and the approximately of HK\$22.7 million decrease in other operating expense relating the decrease in provision for doubtful debt and amortization of intangible assets.

In the first half of 2017 and 2016, all the customers of supporting services to sweetener and ethanol business, except the inter-segment sales for six months ended 30th June 2017 to Jamaica and Benin, was located in African countries, which recorded a revenue of approximately HK\$26.8

million (six months ended 30th June 2016: approximately HK\$23.6 million) and the net profit of this segment was approximately HK\$8.9 million (six months ended 30th June 2016: net loss of approximately HK\$26.8 million). The review of performance of this segment had already covered in above sections.

Ethanol Business

Business review

Reference is made to the announcement of the Company dated 3rd March 2014 in relation to the impairment losses on ethanol biofuel business in Benin. Terms used in this announcement shall have the same meanings as those defined in the announcement dated 3rd March 2014 unless otherwise defined herein.

The ethanol operation in Benin is operated by Compagnie Beninoise De Bioenergie SA (“CBB”), a company incorporated under the Republic of Benin with limited liability and is a 90% indirectly owned subsidiary of the Company. The construction of ethanol plant of CBB continues to suspend during the period because Benin Government is still unable to execute the Leased Land provision in the Cooperation Agreement and Leased Land is still unavailable for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol. Construction works were still under suspension pending for appropriate alternate business plan.

The operating profit for the six months ended 30th June 2017 of approximately HK\$1.8 million (six month ended 30th June 2016: operating loss of approximately HK\$0.9 million) was mainly relating to the net effect of exchange gains and administration expenses by a subsidiary of the Group for the period.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 30th June 2017, the Company had 2,191,180,000 outstanding ordinary shares of HK\$0.1 each (31st December 2016: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2017 amounts to approximately HK\$527.3 million (31st December 2016: approximately HK\$496.7 million).

Borrowings

As at 30th June 2017, the Group's total borrowings that consisted of liability components of convertible notes and current portion of amounts due to non-controlling interests, excluding derivative component of convertible notes, of approximately HK\$931.3 million (31st December 2016: approximately HK\$897.5 million), of which approximately HK\$424.3 million (31st December 2016: approximately HK\$410.9 million) was the current portion of amount due to non-controlling interests and approximately HK\$506.9 million (31st December 2016: approximately HK\$486.6 million) was the outstanding five-year zero-coupon Hong Kong-dollar liability components of convertible notes.

For the current portion of amounts due to non-controlling interests, the amount was unsecured.

For the outstanding five-year zero-coupon Hong Kong-dollar convertible note were also unsecured.

Gearing

As at 30th June 2017 and 31st December 2016, the shareholder's equity attributable to owners of the Company was a deficiency of HK\$527.3 million and of approximately HK\$496.7 million respectively, the calculation of gearing ratio as at 30th June 2017 and 31st December 2016 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 30th June 2017 amounted to approximately HK\$175.2 million (31st December 2016: HK\$112.2 million), mainly denominated in Hong Kong Dollars, US Dollars and Jamaican dollars. The bank balances were placed in short term deposits with major banks in Hong Kong and Jamaica. The bank balances and cash increased by approximately HK\$63.0 million. The increase was brought by the net effect on the net cash from operation of approximately HK\$68.5 million and the net cash used in investing activities of approximately HK\$2.0 million mainly used for acquisition of fixed assets.

The Group's funding policy will continue to finance the business operations with internally generated cash and loan facilities.

Treasury Policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2017.

Foreign Exchange Exposure

The Group's operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2017, turnover was denominated mainly in US dollar and Jamaican dollar while its costs and expenses were primarily in Jamaican dollar and US dollar where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollar. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

The Group did not enter into any arrangements or financial instruments for the purpose of hedging against the potential foreign exchange risks during the period under review. In the event that Jamaican dollar were to depreciated substantially against US dollar, the risk can be mitigated by increasing the sales denominated in US dollar. As for the operational assets of the Group, any foreign exchange losses due to translation of the carrying value of the assets to the Group's reporting currency on reporting dates are unrealised and non-cash in nature. As such, active hedging activities are not considered warranted. Nonetheless, management will monitor closely its foreign currency exposure to ensure appropriate measures are taken promptly against any significant potential adverse impact.

Pledge of assets

As at 30th June 2017 and 31st December 2016, a bank deposit of a subsidiary of approximately J\$20.2 million (approximately HK\$1.2 million) (31st December 2016: approximately J\$20.4 million (approximately HK\$1.2 million)) was pledged by a subsidiary of the Group to secure against its bank guarantee of J\$20.0 million (approximately HK\$1.2 million) in Jamaica as at 30th June 2017 and 31st December 2016 of J\$20.0 million (approximately HK\$1.2 million). The cash collateral account attracts interest at 3.5% for the period ended 30th June 2017 (30th June 2016: 2.25%).

Capital Commitment

As at 30th June 2017, the Group did not have any significant capital commitments.

EMPLOYEE REMUNERATION POLICY

Remuneration policies

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was approximately HK\$20.2 million (six months ended 30th June 2016: approximately HK\$43.9 million), of which, approximately HK\$15.4 million (six months ended 30th June 2016: approximately HK\$33.0 million) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The decrease in staff cost is mainly due to the cost-cutting by way of redundancy which carried out in year 2016.

As at 30th June 2017, the Group had 152 full time employees (31st December 2016: 220) and 696 temporary employees (31st December 2016: 535).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Reference is made to the announcement made by the Company dated 1st February 2010 and definitions of this announcement are adopted herein, there is no new progress for the MOU signed by the Company and CADFund on 31st January 2010 in respect of the Possible Transactions during the period under review.

Except that, the Group had no other future plans for material investment material investments and capital assets during the period under review.

SIGNIFICANT INVESTMENTS HELD

The Group had not made any significant investment during the period ended 2017 and 2016.

PROSPECTS

The business environment for the sugar cane growing and sugar manufacturing business in Jamaica is improving but slow, therefore, the Group will continue to suspend the loss-making agricultural operations of the two sugar estates of Bernard Lodge Sugar Estate and Monymusk Sugar Estate and the loss-making factory operation of Monymusk Sugar Factory for the coming crushing season starting around fourth quarter of the year to preserve the working capital of this segment. The agricultural operation under the Frome Sugar Estate and factory operation under the Frome Sugar Factory are in normal operation and are not affected by the suspension of other operations in Jamaica. Due to the fact that those suspensions will inevitably affect the production and the sales volume, the Board expects the whole year revenue for this segment will continue to drop when compared with year 2016.

Market sentiment indicators for the Group's supporting services to sweetener and ethanol business segment remain weak. A poll reported by Reuters on 7th February 2017 show that the rally of raw sugar prices in late 2016 is expected to run out of steam in 2017 as Brazil's main producing region looked set for record output for raw sugar that will reduce a world supply deficit. Under such backdrop, the Board therefore expects the full-year sales in 2017 for the Group's supporting services to sweetener and ethanol business segment to be lower than that of 2016.

For the Group's ethanol biofuel business, the construction of ethanol plant continues to suspect during the period, pending for appropriate alternate business plan for this operation.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June 2017, the Company has complied with the code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules (the "Code"), except for the following deviation:—

Code Provision A.2.1 and 2.4

Under the code provision A.2.1, the roles of chairman and chief executive officer (the "CEO") should be separate people and should not be performed by the same individual. The divisions of responsibilities between the chairman and CEO should be clearly established and set out in writing. Under the new code provision A.2.4, the chairman should provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.

The Company segregates the role of Chairman from the Managing Director who also assumes the responsibilities of chief executive officer. Mr. Liaw Yuan Chian was the Managing Director till his resignation on 16th December 2010. The Company has not refilled these positions yet that calls for an exhaustive scrutiny in the selection. The Board considered the balance of power between the Board members and the balance of authority between the Board and the management have not been impaired after the resignation of the Managing Director, given that about half of the Board members are independent non-executive and a clear division of responsibilities are in place for the running of the business of the Group. The Company remains structured to ensure appropriate segregation of duties so that power is not concentrated in any one individual.

Code Provision A.4.1

Under the code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing independent non-executive Directors (the “INEDs”) of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 during the period. However, one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting under the Company’s articles of association (the “Articles”). As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

Events subsequent to the period under review in relation to the retirement of Dr. Zheng Liu and non-compliance with rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Code and possible remedial actions

Following the retirement of Dr. Zheng Liu as an independent non-executive director and ceased to be the chairperson and member of the audit committee, the remuneration committee and the nomination committee of the Board with effect from the conclusion of the annual general meeting on 5th July 2017, the number of independent non-executive directors and the members of audit committee of the Company will fall below the minimum number required under Rules 3.10(1), 3.10A and 3.21 of the of the Listing Rules. In addition, the Company will fail to meet the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules, the composition requirement of the remuneration committee of the Board under Rule 3.25 of the Listing Rules and the composition requirement of the nomination committee under code provision A.5.1 of the Code and the relevant terms of references of the Company.

The Listing Rules require the Company to fill the vacancy(ies) of the Board and the relevant board committees within three months from 5th July 2017. The Board has received a written requisition dated 24th August 2017 from China National Complete Plant Import & Export Corporation (Group) and Complant International Sugar Industry Co., Ltd (the “Requisitionist”), duly registered in the register of the Company as holders of an aggregate of 10.04% of the issued shares of the Company which carry the right of voting at the general meetings, requiring the Company to convene an extraordinary general meeting (“EGM”) for the transaction of the businesses specified in the Requisition (the “Requisition”). Such businesses include the proposals for appointment of five individuals to be non-executive directors and independent non-executive directors. According to article 72 of the Articles of the Company, two or more shareholders of the Company holding, at the date of deposit of the requisition, no less than one tenth of the paid up capital of the Company and having the right of voting at general meetings may make a requisition to convene an EGM and the Board shall within 21 days from the date of deposit of the requisition proceed duly to convene the EGM. The Board is seeking advice as to the appropriate course of action. Further announcement will be made as and when appropriate.

REVIEW OF INTERIM FINANCIAL STATEMENTS

At the date of this announcement, the audit committee consists of two members, Mr. Yu Chi Jui and Ms. Li Xiao Wei, all of whom are independent non-executive directors.

The unaudited consolidated interim financial statements for the six months ended 30th June 2017 had been reviewed by the audit committee. The audit committee is of the view that the interim results for the six months ended 30th June 2017 was prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited consolidated interim financial statements for the six months ended 30th June 2017 was also approved by the Board on 31st August 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.irasia.com/listco/hk/hualien>). The 2017 interim report of the Company will be despatched to the shareholders of the Company and will be available on both websites in due course.

By order of the Board

Mr. Han Hong

Executive Director

Hong Kong, 31st August 2017

As at the date of this announcement, the Board comprises five directors, of which three are executive directors, namely Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui and two are independent non-executive directors, namely Mr. Yu Chi Jui and Ms. Li Xiao Wei.