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 2018

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 2018 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 2018

		Six months ended 30th June	
		2018	2017
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*(3)*	**59,223**	118,224
Cost of sales		**(47,097)**	(78,723)
Gross profit		**12,126**	39,501
Changes in fair value of biological assets	*(11)*	**(20,252)**	(6,346)
Other income		**4,894**	4,189
Administrative expenses		**(35,136)**	(31,267)
Change in fair value of derivative component of convertible notes		**13,297**	(4,715)
Other operating expenses	*(4)*	**—**	(3,972)
Finance costs	*(5)*	**(48,450)**	(27,190)
Loss before income tax expense		**(73,521)**	(29,800)
Income tax expense	*(7)*	**—**	—
Loss for the period	*(6)*	**(73,521)**	(29,800)

	Notes	Six months ended 30th June **2018** (unaudited) ***HK$'000***	2017 (unaudited) *HK$'000*
Loss for the period attributable to:			
Owners of the Company		**(54,730)**	(25,339)
Non-controlling interests		**(18,791)**	(4,461)
		(73,521)	(29,800)
Other comprehensive loss for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**12,544**	(5,171)
Total comprehensive loss for the period		**(60,977)**	(34,971)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(47,008)**	(30,602)
Non-controlling interests		**(13,969)**	(4,369)
		(60,977)	(34,971)
Loss per share	*(8)*		
— Basic (cents per share)		**(0.0250)**	(0.0116)
— Diluted (cents per share)		**(0.0250)**	(0.0116)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2018

	Notes	**30th June 2018 (unaudited)** *HK$'000*	31st December 2017 (audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*(10)*	**12,684**	13,887
Goodwill		**—**	—
Intangible asset		**—**	—
Total non-current assets		**12,684**	13,887
Current assets			
Biological assets — growing cane	*(11)*	**15,108**	26,306
Inventories	*(12)*	**140,257**	70,869
Trade and other receivables	*(13)*	**79,435**	123,880
Bank balances, deposits and cash		**53,286**	163,265
Total current assets		**288,086**	384,320
Total assets		**300,770**	398,207
Current liabilities			
Trade and other payables	*(14)*	**75,242**	99,023
Borrowing	*(15)*	**3,046**	—
Derivative component of convertible notes		**38,029**	1,821
Liabilities component of convertible notes		**504,857**	44,183
Amount due to non-controlling interests		**457,539**	436,334
Total current liabilities		**1,078,713**	581,361
Net current liabilities		**(790,627)**	(197,041)
Total assets less current liabilities		**(777,943)**	(183,154)
Non-current liabilities			
Derivative component of convertible notes		**—**	49,505
Liabilities component of convertible notes		**—**	484,307
Total non-current liabilities		**—**	533,812
Net liabilities		**(777,943)**	(716,966)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves		**(868,217)**	(821,209)
Capital deficiency attributable to owners of the Company		**(649,099)**	(602,091)
Non-controlling interests		**(128,844)**	(114,875)
Total capital deficiency		**(777,943)**	(716,966)

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 2018 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 2017, 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 2018 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31st December 2017, except for as described below, the adoption of the new/revised standard of HKFRSs which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1st January 2018 as described below.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The adoption of these amendments to HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years except for HKFRS 9 and HKFRS 15.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Group satisfies a performance Obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The adoption of HKFRS 15 did not have any significant impact on recognition of revenue.

2.2 HKFRS 9: Financial instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for, 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, and 3) general hedge accounting.

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 HKFRS 9: Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income/expense:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

The directors of the Company reviewed and assessed the Group's financial assets as at 1st January 2018 based on the facts and circumstances that existed at that date and concluded that the Group's financial assets are continue to be measured at amortised cost upon adoption of HKFRS 9 which is the same as measured under HKAS 39.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables and bank balances, deposits and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 HKFRS 9: Financial instruments *(Continued)*

Impairment under ECL model (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Measurement and recognition of ECL

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.2 HKFRS 9: Financial instruments (Continued)

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1st January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1st January 2018 was recognised.

3. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in provision of supporting services to sweetener business and cultivation of sugar cane and manufacturing of sugar. Turnover represents the invoiced value of goods sold to external customers during the period, after allowances for returns and trade discounts. The Group recognised revenue at a point in time.

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").

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

	Supporting services (unaudited) *HK$'000*	Sugar business (unaudited) *HK$'000*	Ethanol business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Six months ended 30th June 2018				
Turnover				
Segment turnover	—	59,223	—	59,223
Inter-segment sales	—	—	—	—
Sales to external customers	—	59,223	—	59,223
Segment results	(2,065)	(63,882)	18	(65,929)
Unallocated corporate income				12,430
Finance costs				(20,022)
Loss before tax				(73,521)
At 30th June 2018				
Assets and liabilities				
Segment assets	80,634	195,213	11,067	286,914
Corporate and other unallocated assets				13,856
Total assets				300,770
Segment liabilities	18,456	515,038	1,909	535,403
Corporate and other unallocated liabilities				543,310
Total liabilities				1,078,713

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

	Supporting services (unaudited) *HK$'000*	Sugar business (unaudited) *HK$'000*	Ethanol business (unaudited) *HK$'000*	Total (unaudited) *HK$'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 31st December 2017				
Assets and liabilities				
Segment assets	198,100	173,233	11,116	382,449
Corporate and other unallocated assets				15,578
Total assets				398,207
Segment liabilities	86,588	445,658	1,937	534,183
Corporate and other unallocated liabilities				580,990
Total liabilities				1,115,173

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 2018	**Supporting services (unaudited)** *HK$'000*	**Sugar business (unaudited)** *HK$'000*	**Ethanol business (unaudited)** *HK$'000*	**Total (unaudited)** *HK$'000*
Amounts included in the measure of segment profit or loss for segment assets:				
Depreciation and amortisation	**12**	**2,187**	**2**	**2,201**
Allowance for doubtful debts in trade and other receivables	—	—	—	—

Six months ended 30th June 2017	Supporting services (unaudited) *HK$'000*	Sugar business (unaudited) *HK$'000*	Ethanol business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
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

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	Six months ended 30th June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Jamaica	**41,659**	71,465
United States	**16,496**	—
Caribbean Countries	**1,068**	—
African countries	**—**	26,769
European countries	**—**	19,990
	59,223	118,224

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

Non-current assets

	30th June	31st December
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
African Countries	**21**	23
Jamaica	**12,567**	13,756
People's Republic of China	**96**	108
	12,684	13,887

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

4. OTHER OPERATING EXPENSES

	Six months ended 30th June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Amortisation of intangible assets	**—**	2,968
Allowance for doubtful debts in trade and other receivables	**—**	1,004
	—	3,972

5. FINANCE COSTS

	Six months ended 30th June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on:		
Amounts due to non-controlling interests	**11,908**	11,294
Borrowing	**12**	—
Imputed interest expenses on convertible notes	**22,116**	20,366
Net exchange losses (gains) on borrowings	**14,414**	(4,470)
Total borrowing costs	**48,450**	27,190
Less: amount capitalized in the cost of qualifying assets	**—**	—
	48,450	27,190

6. LOSS FOR THE PERIOD

	Six months ended 30th June	
	2018	2017
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**2,201**	2,445

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 approximately HK54,730,000 (six months ended 30th June 2017: approximately HK$25,339,000), and the weighted average number of 2,191,180,000 (30th June 2017: 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 2018 and 30th June 2017 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 2018 (six months ended 30th June 2017: Nil).

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$1,497,000 (six months ended 30th June 2017: approximately HK$1,979,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

	30th June 2018 (unaudited) *HK$'000*	31st December 2017 (audited) *HK$'000*
Opening balance	**26,306**	17,809
Cane cultivation cost capitalised	**43,304**	35,280
Decrease in fair value of cane harvested	**(33,567)**	(41,140)
Change in fair value	**(20,252)**	13,594
Exchange realignment	**(683)**	763
Carrying value at end of the period	**15,108**	26,306

The decrease of in fair value of growing cane for the period ended of approximately HK$20,252,000 (six months ended 30th June 2017: approximately HK$6,346,000) is reflected in the profit or loss.

12. INVENTORIES

	30th June 2018 (unaudited) *HK$'000*	31st December 2017 (audited) *HK$'000*
Consumables and components	**52,223**	53,152
Goods in transit	**3,751**	18
Sugar and molasses *(Note)*	**84,283**	17,699
Carrying amount at end of the period	**140,257**	70,869

Note: At 30th June 2018, the sugar and molasses consisted of 22,737 tonnes (31st December 2017: 3,232 tonnes) of raw sugar costing approximately HK$83,969,000 (31st December 2017: approximately HK$17,070,000) and 519 tonnes (31st December 2017: 726 tonnes) of molasses costing approximately HK$314,000 (31st December 2017: approximately HK$629,000).

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of approximately HK$71,986,000 (31st December 2017: approximately HK$117,518,000), within which of approximately HK$67,478,000 (31st December 2017: approximately HK$110,200,000) is relating to trade customers of supporting services of sweetener and ethanol business and the remaining of approximately HK$4,508,000 (31st December 2017: approximately HK$7,318,000) is relating to trade customers of sugar business in Jamaica.

The Group allows a credit period of 365 days (31st December 2017: 365 days) to its trade customers of supporting services of sweetener and ethanol business, 0 to 30 days (31st December 2017: 0 to 30 days) to trade customers of raw sugar trading and 15 days (31st December 2017: 15 days) credit period for advance payment payable on basis of estimated production output at start of production and 60 days (31st December 2017: 60 days) credit period are granted for the shortfall after the amount of advance payment set off at end of production 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 2018 (unaudited) ***HK$'000***	31st December 2017 (audited) *HK$'000*
0 - 30 days	**2,634**	28,238
31 - 60 days	**50**	11,849
61 - 90 days	**8**	4,709
91 - 365 days	**29,581**	2,043
> 365 days	**39,713**	70,679
	71,986	117,518

As at 30th June 2018, the Group's trade receivables included approximately HK$42,522,000 (31st December 2017: approximately HK$73,159,000) (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.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	30th June 2018 (unaudited)	31st December 2017 (audited)
	HK$'000	*HK$'000*
Overdue 1 - 90 days	**3,030**	23,362
Overdue 91 - 180 days	**307**	346
Overdue 181 - 365 days	**22,398**	5,744
Overdue >365 days	**16,787**	43,707
	42,522	73,159

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. The balance of the allowance for doubtful debts of trade receivables is as follows:

	30th June 2018 (unaudited)	31st December 2017 (audited)
	HK$'000	*HK$'000*
Balance of allowance for doubtful debts of trade receivables	**40,114**	40,114

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$22,406,000 (31st December 2017: approximately HK$61,641,000), within which of approximately HK$7,960,000 (31st December 2017: approximately HK$58,300,000) is relating to trade payables of supporting services of sweetener and ethanol business and HK$14,446,000 (31st December 2017: approximately HK$3,341,000) 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 2017: 365 days) while credit period granted by trade creditors of sugar business in Jamaica external suppliers is from zero to 30 days (31st December 2017: zero to 30 days).

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

	30th June 2017 (unaudited) ***HK$'000***	31st December 2017 (audited) *HK$'000*
Not yet due	**8,993**	59,587
Overdue 1 - 90 days	**5,495**	2,054
Overdue 91 - 180 days	**5,576**	—
Overdue 181 - 365 days	**2,342**	—
Overdue > 365 days	**—**	—
	22,406	61,641

15. BORROWING

	30th June 2018 (unaudited) ***HK$'000***	31st December 2017 (audited) *HK$'000*
Borrowing due for repayment within one year	**3,046**	—

The borrowing that raised in June 2018 was a J$50 million three-months short-term loan from the Cane Expansion Fund of Sugar Industry Authority in Jamaica. The loan is secured by assignment of sales proceeds and lien over biological assets of growing cane for a total of J$50 million (approximately HK$3.0 million), which bore interest at the rate of 8.0% per annum for the period ended 30th June 2018 (six months ended 30th June 2017: N/A).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the six months ended 30th June 2018, the turnover of the Group decreased by approximately 49.9% to approximately HK$59.2 million (six months ended 30th June 2017: approximately HK118.2 million).

The amount of overall gross profit decreased by approximately HK$27.4 million to approximately HK$12.1 million (six months ended 30th June 2017: approximately HK$39.5 million) and the overall gross profit percentage decreased by about 12.9% to approximately 20.5% (six months ended 30th June 2017: approximately 33.4%). The decrease in amount of overall gross profit of approximately HK$27.4 million was mainly due to the approximately 49.9% decrease in turnover while the approximately 12.9% decrease in overall gross profit ratio was due to the decrease in sales of higher gross profit products from the supporting services to sweetener and ethanol business and the lowering of the price of raw sugar and molasses in order to stay competitive under massive quantity of imported refined sugar in Jamaica. The average sugar price decreased by approximately 10.3% and the average price of molasses was decreased by approximately 5.5%.

The loss for the period increased by approximately HK$43.7 million to approximately HK$73.5 million (six months ended 30th June 2017: approximately HK$29.8 million). The increase in loss before taxation of approximately HK$43.7 million was mainly due to net effect of the negative impacts of (i) the decrease in overall gross profit of approximately HK$27.4 million; (ii) the increase in loss on changes in fair value of biological assets of approximately HK$13.9 million; and (iii) and the increase in finance cost of approximately HK$21.3 million as well as of the positive impact of the gain in the decrease in fair value of derivative component of convertible notes of approximately HK$18.0 million, comparing with that of the same period last year.

Basic loss per share for the period was HK2.25 cents (six months ended 30th June 2017: approximately HK1.16 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2018 (six months ended 30th June 2017: 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 Fatory 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$953.7 million (approximately HK$59.2 million) for the six months ended 30th June 2018 (six months ended 30th June 2017: approximately J$1,447.1 million (approximately HK$91.5 million)). Joyful Right Group sold approximately 7,900 tonnes of raw sugar and approximately 19,800 tonnes of molasses for the six months ended 30th June 2018 compared with approximately 13,500 tonnes of raw sugar and approximately 13,200 tonnes of molasses for the same period last year. The decrease in sales of raw sugar of approximately 5,600 tonnes, which decreased by approximately 41.5%, was mainly due to the fundamental changes in official policy on refined sugar importation for the retail trade in Jamaica since January 2018. Under the new policy the Sugar Industry Authority (SIA), the regulator of the sugar business of Jamaica, will not import any refined sugar itself but instead it will grant the licences to qualified entities, which will source refined sugar to import from aboard and distribute it to local companies. Such change in policy have led to a substantial increase in sugar distributors in Jamaica. They imported substantial quantity of refined sugar from overseas to compete directly with local produced raw sugar of our Group in Jamaica which lead to the substantial decrease in revenue. Facing with the fierce competition from the imported refined sugar in Jamaica, Joyful Right Group has granted additional discount to local distributors to make our product more competitive. This had caused the average price of raw sugar to decrease by approximately 10.3% and the average price of molasses to decrease by approximately 5.5%.

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

	Six months ended 30th June					
	2018			2017		
	J$'million	***HK$'million***	***% of Turnover***	*J$'Million*	*HK$'million*	*% of Turonver*
By region						
Jamaica	**670.9**	**41.7**	**70.3**	1,130.8	71.5	78.1
United States	**265.6**	**16.4**	**27.9**	—	—	—
Caribbean Countries	**17.2**	**1.1**	**1.8**	—	—	—
European countries	—	—	—	316.3	20.0	21.9
	953.7	**59.2**	**100.0**	1,447.1	91.5	100.0

As shown in above table, Jamaica remains the principal market for Joyful Right Group. The local sales in Jamaica accounted for approximately 70.3% (six months ended 30th June 2017: approximately 78.1%) of total sales and the export to United States and Caribbean Countries accounted for remaining approximately 29.7% (six months ended 30th June 2017: the export to European countries of approximately 21.9%). It is because the average selling price in Jamaica for this period is still higher than that in international market and Joyful Right Group therefore will fulfill all local demand before export the excess overseas. The shifting of exporting countries to United States and Caribbean Countries during the period was due to the higher export price there.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J$195.3 million (approximately HK$12.1 million) for the six months ended 30th June 2018 (six months ended 30th June 2017: approximately J$391.0 million (approximately HK$24.7 million)). The gross profit ratio is decreased by approximately 6.5% to 20.5% for the six months ended 30th June 2017 compared with approximately 27.0% for the same period last year. The decrease in amount of gross profit of approximately J$195.7 (approximately HK$12.6 million), which decreased by approximately 50.0%, was mainly due to the approximately 41.5% decrease in sales of raw sugar. The approximately 6.5% decrease in gross profit percentage during the period was mainly due to the decrease in average price of raw sugar by approximately 10.3% and the decrease in average price of molasses by approximately 5.5%.

In terms of net operation results, the Joyful Right Group recorded a net loss of approximately J$1,008.7 million (approximately HK$63.9 million) for the six months ended 30th June 2018 (six months ended 30th June 2017: approximately J$245.6 million (approximately HK$17.1 million)). The approximately J$763.1 million (approximately HK$46.8 million) increase in net loss of approximately was mainly due to (i) an approximately J$195.7 million (approximately HK$12.6

million) decrease in gross profit as explained above; (ii) an approximately J$225.7 million (approximately HK$13.9 million) increase in fair value loss on biological assets mainly for reason of the decrease in average maturity of cane to approximately 51.6% as at 30th June 2018 from approximately 87.1% as at 31st December 2017. The decrease in average maturity was because of the delay in the harvesting of sugar cane which shortened the average growing time of the sugar cane; (iii) an approximately J$265.4 million (approximately HK$16.5 million) increase in the amount of foreign exchange loss for the period ended 30 June 2018 due to the further weakening of Jamaican dollar during the period; and (iv) the approximately J$92.0 million (approximately HK$5.3 million) increase in administrative expense resulting from the resumption of operation of Monymush Sugar Factory for the crushing season of 2017/2018.

Supporting services to sweetener and ethanol business

Business review

The turnover from customers outside the Group for the six months ended 30th June 2018 was zero (six months ended 30th June 2017: approximately HK$26.8 million). The reason for no revenue during the six months ended 30th June 2018 was because the three years annual cap from 2018 to 2020 for the continuing connected transactions has not yet obtained. The Group is still in the process of finalizing those documents. The delay was due to the parties for the continuing connected transactions is still in the process of reaching consensus on the trade terms, among others, the exclusivity and the credit period. Since the delay in re-complying process of the requirements of the continuing connected transaction under the Listing Rules, the supporting service business segment cannot carry out any continuing connected transaction with its customers who presently are all connected parties, therefore, the supporting service business segment does not record any segment revenue during the six months ended 30th June 2018.

The gross profit for the six months ended 30th June 2018 was also zero (six months ended 30th June 2017: approximately HK$14.8 million). The gross profit ratio after elimination of inter-segment sales was zero (six months ended 30th June 2017: approximately 55.2%). The decrease in gross profit was mainly brought by the approximately HK$26.8 million decrease in turnover from customers outside the Group as explained above.

The operating loss of this segment for the six months ended 30th June 2018 was of approximately HK$2.1 million (six months ended 30th June 2017: operating profit of approximately HK$8.9 million). The decrease of approximately HK$11.0 million in operating profit was mainly due to the decrease in amount of gross profit by approximately HK$14.8 million as a result of the decrease in turnover as explained above.

For reviewing the segment performance for the first half of 2018 and 2017, there was no customers for supporting services to sweetener and ethanol business (six months ended 30th June 2017: all customers was located in African countries, except the inter-segment sales to Jamaica and Benin, which recorded a revenue of approximately HK$26.8 million) and the net loss of this segment was approximately HK$2.1 million (six months ended 30th June 2017: net profit of approximately HK$8.9 million). While, the segment performance review 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 2018 of approximately HK$18,000 (six month ended 30th June 2017: operating loss of approximately HK$1.8 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 2018, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (31st December 2017: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2018 amounts to approximately HK$649.1 million (31st December 2017: approximately HK$602.1 million).

Borrowings

As at 30th June 2018, the Group's total borrowings that consisted of the borrowing (short term loan), the liability components of convertible notes and the current portion of amounts due to non-controlling interests, excluding derivative component of convertible notes, was of approximately HK$965.4 million (31st December 2017: approximately HK$964.8 million), of which an approximately HK$3.0 million (31st December 2017: Nil) was borrowing (short term loan), an approximately HK$457.5 million (31st December 2017: approximately HK$436.3 million) was the current portion of amount due to non-controlling interests and an approximately HK$504.9 million (31st December 2017: approximately HK$528.5 million) was the outstanding five-year zero-coupon Hong Kong-dollar liability components of convertible notes.

For the borrowing (short-term loan), the amount was secured by assignment of sales proceeds and lien over biological assets of growing cane for a total of J$50 million (approximately HK$3.0 million).

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 2018 and 31st December 2017, the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK649.1 million and of approximately HK$602.1 million respectively, the calculation of gearing ratio as at 30th June 2018 and 31st December 2017 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 30th June 2018 amounted to approximately HK$53.3 million (31st December 2017: approximately HK$163.3 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 decreased by approximately HK$110.0 million. The approximately HK$110.0 million decrease in cash and cash equivalents was brought by the below net effect (i) the net cash used for operation of approximately HK$103.8 million; (ii) the net cash used in investing activities of approximately HK$1.5 million mainly used for acquisition of fixed assets; (iii) the net cash used in financing activities of approximately HK$35.0 million mainly used for repayment the convertible notes on its maturity of approximately HK$45.8 million; and (iv) positive net effect of exchange rate change on cash and cash equivalents of approximately HK$30.3 million.

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 2018.

Foreign Exchange Exposure

The Group's operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2018, 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 2018 and 31st December 2017, (i) a bank deposit of a subsidiary of approximately J$20.9 million (approximately HK$1.3 million) (31st December 2017: approximately J$20.9 million (approximately HK$1.3 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 2018 and 31st December 2017 of J$20.0 million (approximately HK$1.2 million), which attracts interest at 3.5% for the period ended 30th June 2018 (30th June 2017: 3.5%); and (ii) an assignment of sales proceeds and lien over biological assets of growing cane for a total of J$50 million (approximately HK$3.0 million) (31st December 2017: Nil) was used to secure again borrowing of J$50 million (approximately HK$3.0 million).

Capital Commitment

As at 30th June 2018, 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$35.5 million (six months ended 30th June 2017: approximately HK$$20.2 million), of which, approximately HK$31.5 million (six months ended 30th June 2017: approximately HK$15.4 million) was the total staff cost expense in sugar cane growing and sugar manufacturing business in Jamaica. The increase in staff cost is mainly due to an addition of staff for Monymush Sugar Factor for the resumption of the factory operation for the crushing season of 2017/2018 and an addition of staff serving the agricultural activities in Frome Sugar Estate.

As at 30th June 2018, the Group had 242 full time employees (31st December 2017: 209) and 872 temporary employees (31st December 2017: 471).

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 and capital assets during the period under review.

SIGNIFICANT INVESTMENTS HELD

The Group had not made any significant investment during the period ended 2018 and 2017.

PROSPECTS

For the Group Sugar Cane Growing and Sugar Manufacturing Segment, even it is hard to get out from the cloud of the increased sugar supply from the massive imported refined sugar in Jamaica and of the international sugar prices going at lower level, active steps attempting to boost the revenue and to preserve working capital have been implemented in second half of the year.

Firstly, a new packaging production line is planned to install around end of this year to relieve existing bottleneck on capacity resulting from solely reliance on two sole packaging agents in Jamaica. This increase in output of smaller packages next year may help to increase our market share in local retail market in Jamaica, which may help to generate more revenue and to achieve a higher average price. This may help to mitigate the negative effect from the massive imported refined sugar on our wholesale business.

Secondly, Joyful Right Group will expand their export of raw sugar to European Countries in order to reduce our sugar inventories to replenish the working capital in second half of the year despite the lower raw sugar price in European Countries will have the effect to lower the gross margin percentage even further; and

Thirdly, Monymush Sugar Factory will re-suspend again in next crushing season of 2018/2019. Stepping in to avert job losses and consequent socio-economic fallout for the sugar-dependent communities, the Monymush Sugar Factory have de-suspended and resumed for the crushing season of 2017/2018 while the Bernard Lodge Sugar Estate and Monymusk Sugar Estate still remind suspended. However, this had created enormous pressure on the working capital. Therefore, notice has been served to Jamaica government that Joyful Right Group will re-suspend the operation of the Monymusk Sugar Factory for the next crushing season of 2018/2019 and notice also has been served to Jamaican government of the intension to surrender the former cane lands now lying idle back to Jamaican government in order to reduce the rental expenses of the leased land to preserve more working capital.

Turning to the Group's supporting services to sweetener and ethanol business segment, the Board will proceed the re-complying process in accordance to Listing Rules to obtain the three years annual cap for 2018 to 2020 once the parties reach compromise on those trade terms in order to get over the present hurdle to enable this segment to continue the continuing connected transaction with its customers who presently are all connected parties,

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June 2018, the Company has complied with the code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Rules Governing the Listing of Securities (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. The independent non-executive Directors of the Company were appointed for specific term. However, none of the non-executive Directors were appointed on 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.

Code Provision A.6.7

Under the code provision A.6.7, independent non-executive Directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and development a balanced understanding of the views of shareholders. Due to other business engagements, the independent non-executive directors of Mr. Cheng Tai Kwan Sunny and Dr. Lu Heng Henry did not attend the annual general meeting held on 29th June 2018.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. Ms. Liu Yan, the chairman of the Board was unable to attend the annual general meeting of the Company held on 29th June 2018 due to another business engagement.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the unaudited consolidated interim financial statements for the six months ended 30th June 2018. The audit committee is of the view that the interim results for the six months ended 30th June 2018 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 2018 was also approved by the Board on 31st August 2018.

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 2018 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
Ms. Liu Yan
Chairman

Hong Kong, 31st August 2018

As at the date of this announcement, the Board comprises eight directors, of which three are executive directors, namely Mr. Liu Xueyi, Mr. Han Hong, and Mr. Wang Zhaohui, two are non-executive directors, namely Ms. Liu Yan and Mr. Zhang Jian, and three are independent non-executive directors, namely Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry.