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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31st DECEMBER 2020

The board of directors (the "**Board**") of Hua Lien International (Holding) Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31st December 2020, together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	(3)	**118,472**	135,534
Cost of sales		**(90,251)**	(129,317)
Gross profit		**28,221**	6,217
Change in fair value of biological assets	(11)	**(19,887)**	1,670
Other income and expenses		**4,540**	6,094
Administrative expenses		**(29,890)**	(41,925)
Change in fair value of derivative component of convertible notes		**—**	7,450
Other operating expenses	(4)	**(31,787)**	(40,464)
Finance costs	(5)	**(72,445)**	(59,325)
Loss before income taxation expense		**(121,248)**	(120,283)
Income tax expense	(7)	**—**	—
Loss for the year	(6)	**(121,248)**	(120,283)

* *For identification purposes only*

	Notes	2020 HK$'000	2019 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(95,956)**	(91,875)
Non-controlling interests		**(25,292)**	(28,408)
		(121,248)	(120,283)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**41,754**	20,415
Total comprehensive loss for the year		**(79,494)**	(99,868)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(65,901)**	(76,119)
Non-controlling interests		**(13,593)**	(23,749)
		(79,494)	(99,868)
Dividend	*(9)*	**—**	—
Loss per share	*(8)*		
— Basic (cents per share)		**(4.38)**	(4.19)
— Diluted (cents per share)		**(4.38)**	(4.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	(10)	**7,965**	11,244
Right-of -use asset		**—**	—
Intangible asset		**—**	—
		7,965	11,244
Current assets			
Biological assets — growing cane	(11)	**13,344**	27,240
Inventories		**34,536**	56,181
Trade and other receivables	(12)	**12,869**	52,798
Bank balances, deposits and cash		**63,517**	63,759
Total current assets		**124,266**	199,978
Total assets		**132,231**	211,222
Current liabilities			
Trade and other payables	(13)	**578,975**	596,994
Contract liabilities		**—**	830
Lease liabilities		**1,801**	1,864
Amounts due to non-controlling interests		**512,575**	492,027
Total current liabilities		**1,093,351**	1,091,715
Net current liabilities		**(969,085)**	(891,737)
Total assets less current liabilities		**(961,120)**	(880,493)
Non-current liability			
Lease liabilities		**24,035**	25,168
Net liabilities		**(985,155)**	(905,661)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves		**(1,031,600)**	(965,699)
Capital deficiency attributable to owners of the Company		**(812,482)**	(746,581)
Non-controlling interests		**(172,673)**	(159,080)
Total capital deficiency		**(985,155)**	(905,661)

NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Going concern basis

The consolidated financial statements have been prepared on a going concern basis even though the Group incurred a consolidated net loss for the year ended 31st December 2020 of HK$121,248,000 (2019: HK$120,283,000), and as at 31st December 2020, the Group had net current liabilities and net liabilities of HK$969,085,000 (2019: HK$891,737,000) and HK$985,155,000 (2019: HK$905,661,000) respectively.

In view of these circumstances, the directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures:

(a) the substantial shareholder, COMPLANT International Sugar Industry Co., Ltd. ("**Complant Sugar**"), had granted an irrevocable supplemental undertaking (the "**Supplemental Undertaking**") on 31st December 2019 in favour of the Company. Pursuant to the Supplemental Undertaking, conditional upon the entering into of an agreement for a formal repayment plan, Complant Sugar will not demand repayment of or performance of obligations under the amount payable on demand of HK$533,700,000 until 31st December 2021;

(b) Complant Sugar has undertaken to provide continuing financial support and will not recall any of the amount due to it until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Group as a going concern;

(c) The directors have evaluated all the relevant facts available to them and are of the opinion that the Group is improving its liquidity by reducing the cash outflow from its operations in the form of (i) taking measures tighten cost controls over administrative and other operating expenses; and (ii) monitoring the repair and maintenance of the Sugar business segment in order to reduce cash outlay for unnecessary factory overhauls and unexpected capital cash outflow for asset replacement;

(d) The Group is actively following up with its debtors on outstanding receivables with the aim of agreeing a repayment schedule with each of them to expedite collection; and

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

(e) The Group has budgeted and laid out its business plan for the next twelve months and seek to reduce its loss and to increase its business cash flow. The Group will continuously review the current liquidity position and the funding needs when the budget plan and business plan are carrying out. The Group will also continuously monitor the production activities under the business plan to optimize production volume to meet the sales forecast and to reduce waste wherever possible to minimize cost.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31st December 2020 on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their net realisable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs — effective 1st January 2020 (and 4th June 2020 for the amendment to HKFRS 16)

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of a Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendment to HKFRS 16	Covid-19-Related Rent Concessions

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1st January 2020 (and 4th June 2020 for the amendment to HKFRS 16) *(Continued)*

Amendments to HKFRS 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendment to HKFRS 16 — Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30th June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs — effective 1st January 2020 (and 4th June 2020 for the amendment to HKFRS 16) *(Continued)*

Amendment to HKFRS 16 — Covid-19-Related Rent Concessions *(Continued)*

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

None of the above new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period.

(b) New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9, Financial Instruments, HKFRS 16, Lease and HKAS 41, Agriculture[2]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

(b) New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

[1] Effective for annual periods beginning on or after 1st January 2021.

[2] Effective for annual periods beginning on or after 1st January 2022.

[3] Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1st January 2022.

[4] Effective for annual periods beginning on or after 1st January 2023.

[5] The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sale of goods, which is recognised 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 external customers in the 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. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Supporting services	**Sugar business**	**Ethanol business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December 2020				
Revenue				
Segment revenue	—	**118,472**	—	**118,472**
Inter-segment sales	—	—	—	—
Sales to external customers	—	**118,472**	—	**118,472**
Segment results	**(33,879)**	**(83,409)**	**1,317**	**(115,971)**
Unallocated corporate expense				**(5,277)**
Loss before income tax				**(121,248)**
At 31st December 2020				
Assets and liabilities				
Segment assets	**25,467**	**89,533**	**11,410**	**126,410**
Corporate and other unallocated assets				**5,821**
Total assets				**132,231**
Segment liabilities	**28,940**	**553,377**	—	**582,317**
Corporate and other unallocated liabilities				**535,069**
Total liabilities				**1,117,386**

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Supporting services *HK$'000*	Sugar business *HK$'000*	Ethanol business *HK$'000*	Total *HK$'000*
Year ended 31st December 2019				
Revenue				
Segment revenue	10,442	125,092	—	135,534
Inter-segment sales	—	—	—	—
Sales to external customers	10,442	125,092	—	135,534
Segment results	(19,789)	(92,500)	(1,437)	(113,726)
Unallocated corporate income				3,400
Finance costs				(9,957)
Loss before income tax				(120,283)
At 31st December 2019				
Assets and liabilities				
Segment assets	60,402	130,263	11,077	201,742
Corporate and other unallocated assets				9,480
Total assets				211,222
Segment liabilities	31,675	549,867	—	581,542
Corporate and other unallocated liabilities				535,341
Total liabilities				1,116,883

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the results of each segment without allocation of central administration costs, directors remuneration, 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. REVENUE 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 balances and cash of head office.

— All liabilities are allocated to operating segments, other than other payables and accrued liabilities of head office.

Other reportable segment information

Year ended 31st December 2020	**Supporting services**	**Sugar business**	**Ethanol business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results for segment assets:				
Depreciation	19	1,885	4	1,908
Impairment loss on property, plant and equipment	—	1,003	—	1,003
Impairment loss on trade receivables	30,784	—	—	30,784

Year ended 31st December 2019	Supporting services	Sugar business	Ethanol business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results for segment assets:				
Depreciation	26	2,702	4	2,732
Impairment loss on right-of-use asset	—	28,195	—	28,195
Impairment loss on property, plant and equipment	—	1,755	—	1,755
Impairment loss on trade receivables	10,514	—	—	10,514
Write-down of inventories	—	20,711	—	20,711

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	2020	2019
	HK$'000	*HK$'000*
Jamaica	**104,414**	99,373
United States (the "**US**")	**14,058**	16,787
The People's Republic of China (the "**PRC**")	—	10,442
European countries	—	7,916
Caribbean countries	—	1,016
	118,472	135,534

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

Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Jamaica	**7,938**	11,166
PRC	**16**	64
African countries	**11**	14
	7,965	11,244

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

4. OTHER OPERATING EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Impairment loss on property, plant and equipment	**1,003**	1,755
Impairment loss on trade receivables	**30,784**	10,514
Impairment loss on right-of-use asset	—	28,195
	31,787	40,464

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on amounts due to non-controlling interests	**22,671**	25,611
Interest on lease liabilities	**1,926**	2,039
Imputed interest expenses on convertible notes	—	7,060
Exchange loss on borrowings	**47,848**	24,615
	72,445	59,325

6. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Loss on disposal of property, plant and equipment	**29**	1
Depreciation of property, plant and equipment	**1,908**	2,732
Write-down of inventories	—	20,711
Short-term leases expenses	**585**	555

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 year attributable to equity holders of the Company of approximately HK$95,956,000 (2019: approximately HK$91,875,000), and the weighted average number of 2,191,180,000 (2019: 2,191,180,000) ordinary shares in issue during the year.

No diluted earnings per share is calculated for the years ended 31st December 2020 and 2019 as there was no potential diluted ordinary share in existence.

9. DIVIDEND

The Board does not recommend the payment of a dividend for the years ended 31st December 2020 and 2019.

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$556,000 (2019: approximately HK$3,185,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

Growing Cane

	2020	2019
	HK$'000	*HK$'000*
Opening balance	**27,240**	25,921
Cane cultivation cost capitalised	**37,269**	47,560
Decrease in fair value of cane harvested	**(29,016)**	(46,932)
Change in fair value	**(19,887)**	1,670
Exchange realignment	**(2,262)**	(979)
Closing balance	**13,344**	27,240

The decrease in fair value of growing cane for the year ended of approximately HK$19,887,000 (2019: the increase in fair value of approximately HK$1,670,000) is reflected in the consolidated statement of profit or loss.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**88,965**	98,736
Less: Impairment loss	**(82,067)**	(50,628)
	6,898	48,108
Prepayments	**5,263**	4,206
Other receivables and deposits	**708**	484
	12,869	52,798

The Group does not hold any collateral over these balances.

12. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period of 90-365 days (2019: 90-365 days) to its customers of Supporting services, 30 days (2019: 30 days) to customers of raw sugar trading and 60 days (2019: 60 days) to customers of molasses trading. The following is an ageing analysis of trade receivables presented based on the invoice date and prior to impairment loss at the end of the reporting period are as follows:

	2020	2019
	HK$'000	*HK$'000*
0 - 30 days	**6,898**	2,122
31 - 60 days	—	55
61 - 90 days	—	11,310
91 - 365 days	—	5,661
> 365 days	**82,067**	79,588
	88,965	98,736

The other classes within trade and other receivables do not contain impaired assets.

13. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**10,708**	24,150
Other payables and accrued liabilities	**568,267**	572,844
	578,975	596,994

Trade payables credit period granted by trade creditors of Supporting services is 0-365 days (2019: 0-365 days) while credit period granted by trade creditors of Sugar business is 30 days (2019: 30 days).

13. TRADE AND OTHER PAYABLES *(Continued)*

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

	2020	2019
	HK$'000	*HK$'000*
Not yet due	**1,183**	726
Overdue 1 - 90 days	**347**	5,753
Overdue 91 -180 days	**14**	273
Overdue 181 - 365 days	**316**	6,454
Overdue > 365 days	**8,848**	10,944
	10,708	24,150

The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

As at 31st December 2020 and 2019, included in other payables and accrued liabilities of HK$533,700,000 which represented amount due to Complant Sugar upon the maturity of the convertible notes on 27th February 2019. Pursuant to the Supplemental Undertaking, conditional upon the entering into of an agreement for a formal repayment plan, Complant Sugar will not demand repayment of or performance of obligation until 31st December 2021. The amount due was unsecured, interest-free and repayment on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the year ended 31st December 2020, the revenue of the Group decreased by approximately 12.6% to approximately HK$118.5 million (2019: approximately HK$135.5 million). The decrease in revenue of approximately HK$17.0 million in year 2020 was caused by the approximately HK$10.4 million decrease in revenue from the Supporting services segment and the approximately HK$6.6 million decrease in revenue from the Sugar business segment.

The gross profit for the year ended 31st December 2020 increased by approximately HK$22.0 million to approximately HK$28.2 million (2019: approximately HK$6.2 million). The gross profit percentage also increased by approximately 19.2% to approximately 23.8% (2019: approximately 4.6%). As further elaborated below, the increase in gross profit and gross profit percentage was mainly due to the increase of the average selling prices of the Sugar business segment.

The loss before taxation increased moderately by approximately HK$0.9 million to approximately HK$121.2 million (2019: approximately HK$120.3 million). As further elaborated below, the moderate increase in loss before taxation was mainly due to net combined effect of the positive impacts which (included: (i) the increase of gross profit of approximately HK$22.0 million; (ii) the decrease of administrative expense of approximately HK$12.0 million; and (iii) the decrease in other operating expenses of approximately HK$8.7 million), as well as the negative impacts which (included: (iv) the decrease in gain from change in fair value of biological assets of approximately HK$21.5 million; (v) the decrease in other income and expenses of approximately HK$1.6 million; (vi) the non-occurrence of gain from change in fair value of derivative component of convertible notes of approximately HK$7.4 million after its maturity; and (vii) the increase of finance expense of HK$13.1 million).

Basic loss per share for the year was approximately HK4.38 cents (2019: approximately HK4.19 cents).

The directors do not recommend the payment of a dividend for the year ended 31st December 2020 (2019: 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 15th August 2011, a 70% indirectly owned subsidiary of the Company, together called "**Joyful Right Group**". Due to the severe business environment for the sugar cane growing and sugar manufacturing business in Jamaica, the Group has suspended certain agricultural and factory operations that are under serious loss since June 2016, which include two sugar estates of Bernard Lodge Sugar Estate and Monymusk Sugar Estate as well as one sugar factory of Monymusk Sugar Factory. Joyful Right Group resumed the operation of Monymusk Sugar Factory in year 2018 and suspended again the operation in year 2019 and continues to operate the Frome Sugar Estate and Frome Sugar Factory. The following analysis of sugar cane growing and sugar manufacturing business in Jamaica is based on Joyful Right Group.

For the revenue, Joyful Right Group recorded a revenue of approximately J$2.2 billion for year 2020 (approximately HK$118.5 million) (2019: approximately J$2.1 billion (approximately HK$125.1 million)). The revenue from the Sugar business segment experienced a moderate increase of approximately J$0.1 billion in Jamaican dollar (a decrease of approximately HK$6.6 million in Hong Kong dollar, since the depreciation of Jamaica dollar against Hong Kong dollar in year 2020 made the current year translated revenue in Hong Kong dollar smaller than year 2019) for the year ended 31st December 2020. The sales volume of raw sugar and molasses was decreased approximately by 4,700 tonnes of sugar (about 23.8%) and approximately 2,100 tonnes of molasses (about 15.1%) respectively as compared with that in year 2019 for reason of the decrease in raw sugar and molasses output during the year for reason of decrease in input of sugar cane. Joyful Right Group produced approximately 11,200 tonnes of raw sugar and approximately 11,200 tonnes of molasses in year 2020 by crushing input of sugar cane of approximately 192,000 tonnes compared with approximately 18,700 tonnes of raw sugar and approximately 15,200 tonnes of molasses in year 2019 by crushing input of sugar cane of approximately 288,000 tonnes. The decrease in input of sugar cane was due to the decrease in yield and quality of sugar cane from our own Frome Sugar Estate and from the local cane farmers as the farming and harvesting activities had been reduced by the Covid-19 pandemic. However, as further elaborated below, the effect of the 23.8% and 15.1% decrease in sales volume of raw sugar and molasses were all neutralized by the approximately 35.8% and approximately 11.1% increase in the average selling price of raw sugar and molasses respectively in year 2020, resulting in the overall revenue of the Sugar business segment slightly increased in year 2020. The increase in average selling price was mainly due to the scaled-down operation enabled Joyful Right Group to reduce the portion of lower-priced overseas sales.

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

	2020			2019		
	J$' million	***HK$'million***	***% of Revenue***	*J$' million*	*HK$' million*	*% of Revenue*
By region						
Jamaica	**1,926.5**	**104.4**	**88.1**	1,692.9	99.4	79.5
US	**259.3**	**14.1**	**11.9**	285.9	16.8	13.4
European countries	—	—	—	134.9	7.9	6.3
Caribbean countries	—	—	—	17.3	1.0	0.8
	2,185.8	**118.5**	**100.0**	2,131.0	125.1	100.0

In year 2020, Joyful Right Group increased the domestic sales in Jamaica from approximately 79.5% to approximately 88.1% and decreased the overseas sales from approximately 20.5% to approximately 11.9%. In context of expressed as tonnes, the domestic sales showed an increase of 621 tonnes of sugar in Jamaica and the overseas sales showed a net decrease of 5,358 tonnes of sugar (which composed of an decrease in sales of 1,709 tonnes to US, an decrease of 3,299 tonnes to European countries and a decrease of 350 tonnes to Caribbean countries). The change in sales mix was mainly due to the effect of reduction in competition from the increased effort of the Jamaican government in crackdown on sugar smuggling in Jamaica and the closure of more sugar mills (like Golden Grove Factory in 2019). This reduction in competition resulted in the decrease in supply and it led to the increase in selling price and the rise in sales volume of our domestic sales in Jamaica. As a result, PCSC further decreased the overseas to domestic sales ratio from approximately 20 : 80 in year 2019 to approximately 12 : 88 in year 2020.

In terms of gross trading margin, the Joyful Right Group recorded an increase in gross profit of approximately J$416.3 million (approximately HK$22.1 million) to approximately J$520.7 million (approximately HK$28.2 million) (2019: approximately J$104.4 million (approximately HK$6.1 million)). The gross profit percentage recorded an increase of approximately 18.9% to approximately 23.8% in year 2020 (2019: approximately 4.9%). The increase in gross profit ratio in year 2020 was mainly due to the approximately 35.8% and approximately 11.1% increase in the average selling price of raw sugar and molasses respectively in year 2020. The average selling price for raw sugar and molasses in year 2020 was approximately J$130,000 (approximately HK$7,000) and approximately J$17,700 (approximately HK$961) per tonne respectively compared with approximately J$95,700 (approximately HK$5,600) and approximately J$16,000 (approximately HK$937) in year 2019. The approximately 35.8% increase in average selling price of raw sugar was driven up by approximately 10.5% increase in average selling price in domestic market and by approximately 48.0% increase in average selling price in overseas market. The approximately 10.5% improvement in domestic selling price was due to the reduction in competition as explained above. The approximately 48.0% improvement in overseas selling price was because of the reduction in sugar import to US from Mexico. Mexico under the bilateral free trade agreement enjoying duty-free and quota-free export to US and is a major sugar supplier to US. The adverse weather in Mexico decreased the country sugar output and created a shortfall in sugar in US sugar market and the market price of sugar in US was consequently pushed up.

In terms of net operation results, this segment recorded net loss of approximately HK$83.4 million (2019: approximately HK$92.5 million). The decrease in net loss of approximately HK$9.1 million was mainly attributable to the net combined effect of the following positive and negative impacts, the positive impacts (included of: (i) an improvement in gross profit of approximately HK$22.1 million as explained above; (ii) the approximately HK$5.3 million lower in administrative expenses resulting from various cost control measures adopted; and (iii) the decrease of approximately HK$28.9 million in other operating expense resulting mainly from the non-occurrence of the impairment loss for right-of-use asset which had been fully impaired in year 2019) as well as the negative impacts (included of: (iv) the negative difference in fair value of biological assets of approximately HK$21.6 million (as reasons stated in next paragraph); (v) the approximately HK$1.6 million decrease in other income and expenses which mainly caused by the decrease in lease income from cane farmers and sub-contractors as their activities were diminished by the local Covid-19 pandemic control; and (vi) the approximately HK$24.0 million increase in finance cost of mainly the foreign exchange loss when re-translating the US dollar-denominated liabilities at year end when Jamaican dollar against US dollar further depreciated yearly by another approximately 8% in year 2020).

The negative difference in fair value of biological assets of approximately HK$21.6 million for the two years (2020: the loss in fair value of approximately HK$19.9 million vs 2019: the gain in fair value of approximately HK$1.7 million) was resulting from the combined effect of the following positive and negative impacts. The positive impact (included: (i) the approximately 17.5% increase in forecasted sugar cane market price (2020: J$4,700 (HK$257) vs 2019 J$4,000 (HK$237))). However, this positive impact was fully offset by the negative impacts caused by the restrained agricultural activities under the local Covid-19 pandemic control. The negative impacts resulting from the decrease in agricultural activities (included: (ii) the approximately 34.9% reduction in total hectare of farmed areas (2020: approximately 2,800 hectares vs 2019: approximately 4,300 hectares). The decrease in farmed areas of approximately 1,500 hectares was resulting from the net combined effect of the approximately 100 hectares of increase of farmed areas of new seed cane planted and the approximately 1,600 hectares of decrease in farmed areas in relation to the extension of farmed areas to lay fallow for lower yield farmland in second half of 2020 when the agricultural activities were constrained by the Jamaica Government stepping up the Covid-19 pandemic control measure when the daily new confirmed cases hit a new high. Fallowing those lower yield farmlands will help to restore its nature soil nutrients and to redistribute the limited agricultural and harvesting resource under local Covid-19 pandemic control to those higher yield farmlands; (iii) the approximately 14.5% decrease in weighted average percentage of maturity of sugar cane per hectare (2020: approximately 61.4% vs 2019: approximately 75.9%) as a result of delaying in seed cane planting activities under restrained agricultural activities in the Covid-19 pandemic; and (iv) the approximately 14.6% decrease in weighted average expected yield of sugar cane per hectare (2020: approximately 49.3 tonnes per hectare vs 2019: approximately 57.7 tonnes per hectare) as a result of decrease of the cultivation activities like weeding and fertilizing under restrained agricultural activities in the Covid-19 pandemic).

Ethanol Biofuel Business in Benin

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 year 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. In current year, the Board considered that the likelihood to resume the construction in near future is still extremely remote as the Group still cannot figure out how to obtain sufficient raw materials under the situation Leased Land is not made available by the Benin Government. In light of the expected prolonged suspension of the construction of ethanol biofuel plant in the Republic of Benin, there is no sight of increase in the recoverable amount, which is the higher of value in use and fair value less costs of disposal during the year. As full provision of impairment loss has been made for the construction in progress, inventories and value-added tax recoverable; there is no additional impairment loss in year 2020.

In terms of net operation results, this segment recorded net profit of approximately HK$1.3 million (2019: net loss of approximately HK$1.4 million). The net profit was mainly related to the foreign exchange gain incurred in year 2020.

Supporting services to sweetener and ethanol business

Business review

The Supporting services segment remain inactive and did not record revenue in year 2020 (2019: approximately HK$10.4 million). The business of the Supporting services segment was seriously hindered by proposed resolution in respect of the renewal of the continuing connected transactions in relation to the 2019-2021 supply agreements with customers and supplier was voted down by the independent shareholders at the extraordinary general meeting held on 31st May 2019. Therefore, the Supporting services segment cannot carry out any continuing connected transaction with its customers with connected parties. In order to mitigate this negative impact, the Supporting services segment has incorporated a subsidiary, Zheng Cheng International Trade (Guangzhou) Limited ("**Zheng Cheng**"), in the PRC to carry out the Supporting services with independent customers in the PRC. Zheng Cheng is a limited liability company (有限責任公司) incorporated under PRC law on 19th February 2019 and is a wholly foreign owned enterprise. However, the business of Zheng Cheng was affected by the overdue payment of customer (this overdue debt had been fully impaired in year 2019) that locked up the trading fund, therefore no new business was carried out by Zheng Cheng in year 2020.

The operating loss of this segment (that after elimination of inter-segment profit, if any,) was approximately HK$33.9 million (2019: approximately HK$19.8 million). The operating loss was mainly due to (i) the other operating expenses of approximately HK$30.7 million in year 2020 (2019: approximately HK$10.7 million) in relation of impairment of trade receivables (for reasons explained in next paragraph); (ii) the administration expense of approximately HK$1.3 million in year 2020 (2019: approximately HK$6.9 million) as well as (iii) the financial expenses in relation to exchange loss of approximately HK$1.9 million in year 2020 (2019: approximately HK$1.2 million) incurred.

The impairment loss of trade receivables of approximately HK$30.7 million in year 2020 was related to three customers. They are all wholly-owned subsidiaries of Complant Sugar and are connected persons under Listing Rules. These trade receivables were incurred under the annual caps of continuing connected transactions as approved by independent shareholders of the Company in previous years. Since the long outstanding trade receivables of these three customers were still not settled till year 2020 under below two suggested methods and impairment loss needed to provide for the increase in expected credit loss. Two possible settlement methods suggested by the customers were: (i) The first suggestion from the customers was indirect settlement. The customers suggested that they would liaise with their parent company, Complant Sugar, for using their trade receivables as partial settlement of the amount due to Complant Sugar of our Group. However, both parties still failed to reach agreement till year 2020, for reasons of, among others, how the customers would reimburse of their parent company and the settlement ratio as consideration for these trade receivables between Complant Sugar and our Group. Furthermore, this possible settlement agreement is a connected transaction that is further subject to approval from independent shareholders of the Company even agreement so reached. Therefore, due to such hurdles, this indirect settlement has not yet carried out in year 2020; (ii) The second way of settlement suggested by the customers was direct settlement. However, this direct settlement was also hindered by current economic recession bought by Covid-19 pandemic. The current economic recession under Covid-19 pandemic made its quite impossible for two customers to resume their suspended operation in a relative short time scale to generate fund for their repayment. These two customers are one located in Republic of Madagascar whose operation was suspended for reason of riots happened there in year 2015 and the other located in Sierra Leone whose operation was also suspended but by outbreak of Ebola Virus Disease also happened in year 2015. While the outbreak of Covid-19 pandemic in Benin rendered the third trade receivable who run sugar mill operation there having its production interrupted and the repayment from this customer fell significantly short of the pre-agreed repayment schedule. All these had pointed to a significant increase in the expected credit loss under the individual assessment of the expect credit losses ("**ECL**") in year 2020 of these three customers and they were determined to be credit-impaired. Therefore, an additional impairment of trade receivable approximately HK$30.7 million was needed to be additionally made in year 2020 for these three customers.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 31st December 2020, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (2019: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 31st December 2020 amounts to approximately HK$812.5 million (2019: approximately HK$746.6 million).

Borrowings

As at 31st December 2020, the Group's Hong Kong total borrowing (that consisted of amount payable on demand to Complant Sugar, amounts due to non-controlling interests and lease liabilities) of approximately HK$1,072.1 million (2019: approximately HK$1,052.7 million), of which approximately HK$533.7 million (2019: approximately HK$533.7 million) was the amount payable on demand to Complant Sugar, approximately HK$512.6 million (2019: approximately HK$492.0 million) was the amounts due to non-controlling interests, and approximately HK$25.8 million (2019: approximately HK$27.0 million) was the lease liabilities.

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$812.5 million (2019: approximately HK$746.6 million), the calculation of gearing ratio as at 31st December 2020 and 2019 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 31st December 2020 amounted to approximately HK$63.5 million (2019: approximately HK$63.8 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 balance and cash decreased by approximately HK$0.3 million which represented the approximately HK$1.3 million decrease in pledged bank deposit (as explained in "Pledge of Assets" section) and the approximately HK$1.0 million increase in cash and cash equivalents. The approximately HK$1.0 million increase cash and cash equivalents was brought by the net cash inflow from operation of approximately HK$3.9 million, the net cash inflow from investing activities of approximately HK$0.8 million, the net cash outflow from financing activities of approximately HK$2.1 million and the negative effect of exchange rate changes on cash and cash equivalents of approximately HK$1.6 million.

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

Pledge of assets

As at 31st December 2020, the Group did not have any pledge of assets. The pledged bank deposit of a subsidiary of approximately J$21.5 million (approximately HK$1.2 million) by a subsidiary of the Group was released in April 2020 when the related bank guarantee of J$20.0 million (approximately HK$1.1 million) had cancelled.

As at 31st December 2019, a bank deposit of a subsidiary of approximately J$21.5 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. The cash collateral account attracts interest at 3.5% for the year ended 31st December 2019.

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 staff costs (including the directors' remuneration and employees' remuneration, contribution to retirement benefits scheme) of the Group in the year under review was approximately HK$35.9 million (2019: approximately HK$39.4 million), of which, approximately J$0.6 billion (approximately HK$34.0 million) (2019: approximately J$0.5 billion (approximately HK$31.6 million)) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The approximately HK$3.5 million decrease in staff cost was mainly due to the net effect of the positive impact of: ((i) the decrease in staff cost of approximately HK$5.9 million for the reduction of staff cost of the Supporting services segment by shifting some permanent post into concurrent post to alleviate the running costs) and the negative impact of: ((ii) the increase in staff cost of approximately HK$2.4 million of the Sugar business segment to compensate staff for their increased maintenance workloads for the production equipment, farm transportation equipment, and agricultural machinery when the new preventive maintenance cycle started in year 2020).

As at 31st December 2020, the Group had 116 full time employees (2019: 137) and 422 temporary employees (2019: 450).

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 year 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 year 2020.

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

CAPITAL STRUCTURE

There is no change in capital structure during the year under review.

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 year ended 31st December 2020.

FOREIGN EXCHANGE EXPOSURE

The Group's operates in Jamaica and African countries, China and Hong Kong. During the year ended 31st December 2020, revenue was denominated mainly in US dollars and Jamaican dollars while its costs and expenses were primarily in Jamaican Dollars and US dollars 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 dollars. 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 year under review. In the event that Jamaican dollars were to depreciate substantially against US dollars, the risk can be mitigated by increasing the sales denominated in US dollars. 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.

SIGNIFICANT INVESTMENTS HELD

The Group had not made any significant investment during the year ended 2020 and 2019.

PROSPECTS

Sugar business segment

On the production side, the negative effect of Covid-19 pandemic control that caused the drop in expected sugar cane yields accompanying by a smaller area under sugar cane planted that will reduce the input of sugar cane supplying from our own sugar estate. This reduction in inputs will have negative impact on our future output of raw sugars and molasses in year 2021. In order to reduce such negative effect, if financial is feasible, the procurement from cane farmers will increase. In year 2021, it is forecasted that the supply of sugar canes from cane farmers will increase after the closure of some sugar mills.

On the sales side, the Covid-19 pandemic will still have negative impact on demand locally and internationally. Locally, the demand in Jamaica is expected to be lower because of the lower tourism numbers and the decrease in total consumption from the decreased economic activities. The fall in expected sales quantity will partly offset by expected rise in local selling prices in Jamaica in year 2021. The selling prices increase as operating costs and the All-Jamaica Customer Price Index (CPI) rise in order to maintain reasonable profit margin. We will continue to strive our marketing efforts on two existing commercially sustainable markets. They are the local market in Jamaica and the US market.

On the working capital side, facing the Covid-19 pandemic challenge, the Sugar business segment will continue to bring the cash under central control and carry out rigorous dynamic cash forecasting, to promote more sales but at the same time to tighten the controls around customer exposure and collections and to offer discounts for early payment and to reduce cash outflows through cost reduction and to request for permitted payment delays. All these strive to achieve a balance and hopefully positive cashflow in year 2021.

The Sugar business segment will continue through the new distribution agents to lobby the Jamaican Government to implement import restriction measures to limit the illicit importation of sugar of all types into Jamaica to protect our local market and to lobby the Jamaican Government to provide more stimulus packages to local farmers in areas of irrigation and transportation to increase their sugar cane output to compensate for our expected decrease in sugar cane supplying from our own sugar estate.

Supporting services segment

The Group expects that Sino-Africa Technology & Trading Limited will continue to suspend those continuing connected transactions with connected parties in year 2021. As affected by the overdue trade receivable, Zheng Cheng may not conduct further business in year 2021 until the account receivables can be collected to finance future transactions.

The performance of the Supporting services segment in year 2020 was significantly affected by the impairment loss of receivables made for reason of increase in credit risk of the trade receivables in the Covid-19 pandemic. However, this non-cash item will not create significant working and liquidity challenges to this Supporting services segment in year 2021 as the available liquid resources is sufficient to repay all outstanding liabilities of this segment. Also, there will be no trade finance requirement for year 2021 for reason of no trading business expected. Furthermore, this Supporting services segment will continue to control the cash outflows through maintaining the key employee in concurrent post and keeping a small office.

Ethanol business segment

For the Group's Ethanol business segment, the construction of ethanol biofuel plant will continue to suspend in year 2021, pending for appropriate alternate business plan for this operation.

In view of the working and liquidity challenges under Covid-19 pandemic, we plan to centralize the excessive working capital of the Ethanol business segment back to immediate parent company who then controls and distributes cash around the Group to meet required working capital needs.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December 2020, 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.1.8

Under the code provision A.1.8, the Company should arrange appropriate insurance cover in respect of legal action against its Directors. The Company is still in the process of obtaining insurance proposal from the insurers with intent to purchase the relevant liability insurance for Directors within 2021.

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 this position 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. Shi Zhu and Dr. Lu Heng Henry did not attend the annual general meeting held on 26th June 2020.

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 26th June 2020 due to another business engagement.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31st December 2020.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statements of profit or loss and other comprehensive income and financial position and the related notes thereto for the year ended 31st December 2020 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31st December 2020. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3b in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$121,248,000 for the year ended 31 December 2020 and, as at 31 December 2020, the Group's current liabilities exceeded its current assets by HK$969,085,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31st December 2020, containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of Hong Kong Exchange and Clearing Limited at www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/hualien/index.htm in due course.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By order of the Board
Liu Yan
Chairman

Hong Kong, 31st March 2021

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.