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 2021

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 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*(3)*	**135,619**	118,472
Cost of sales		**(113,675)**	(90,251)
Gross profit		**21,944**	28,221
Changes in fair value of biological assets	*(11)*	**(4,122)**	(19,887)
Other income and expenses		**4,919**	4,540
Administrative expenses		**(28,363)**	(29,890)
Other operating income/(expenses)	*(4)*	**24,650**	(31,787)
Finance costs	*(5)*	**(76,327)**	(72,445)
Loss before income taxation expense		**(57,299)**	(121,248)
Income tax expense	*(7)*	**—**	—
Loss for the year	*(6)*	**(57,299)**	(121,248)

* *For identification purposes only*

	Notes	2021 HK$'000	2020 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(33,178)**	(95,956)
Non-controlling interests		**(24,121)**	(25,292)
		(57,299)	(121,248)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**53,501**	41,754
Total comprehensive loss for the year		**(3,798)**	(79,494)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(3,065)**	(65,901)
Non-controlling interests		**(733)**	(13,593)
		(3,798)	(79,494)
Dividend	*(9)*	**—**	—
Loss per share	*(8)*		
— Basic (cents per share)		**(1.51)**	(4.38)
— Diluted (cents per share)		**(1.51)**	(4.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Non-current assets			
Property, plant and equipment	(10)	**6,686**	7,965
Right-of -use asset		**—**	—
Intangible asset		**—**	—
Total non-current assets		**6,686**	7,965
Current assets			
Biological assets — growing cane	(11)	**18,719**	13,344
Inventories		**37,926**	34,536
Trade and other receivables	(12)	**6,772**	12,869
Bank balances, deposits and cash		**81,162**	63,517
Total current assets		**144,579**	124,266
Total assets		**151,265**	132,231
Current liabilities			
Trade and other payables	(13)	**579,714**	578,975
Lease liabilities		**1,684**	1,801
Amounts due to non-controlling interests		**534,608**	512,575
Total current liabilities		**1,116,006**	1,093,351
Net current liabilities		**(971,427)**	(969,085)
Total assets less current liabilities		**(964,741)**	(961,120)
Non-current liabilities			
Lease liabilities		**24,212**	24,035
Net liabilities		**(988,953)**	(985,155)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves		**(1,034,665)**	(1,031,600)
Capital deficiency attributable to owners of the Company		**(815,547)**	(812,482)
Non-controlling interests		**(173,406)**	(172,673)
Total capital deficiency		**(988,953)**	(985,155)

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 of approximately HK$57,299,000 (2020: approximately HK$121,248,000) and, as at 31st December 2021, the Group had net current liabilities and net liabilities of approximately HK$971,427,000 (2020: approximately HK$969,085,000) and approximately HK$988,953,000 (2020: approximately HK$985,155,000) respectively. These conditions may cast significant doubt about the Group's ability to continue as a going concern.

In view of these circumstances and for the purpose of assessing the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements, the directors have prepared a cash flow forecast ("**Forecast**") covering a period of 12-month from the date of approval of these consolidated financial statement for issue. In preparing the Forecast, careful considerations are given to the future liquidity and performance of the Group and its available sources of finance and the following measures:

(a) the substantial shareholder, COMPLANT International Sugar Industry Co., Ltd. ("**Complant Sugar**"), had granted another irrevocable supplemental undertaking (the "**Second Supplemental Undertaking**") on 27th December 2021 in favour of the Company. Pursuant to the Second 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 before 31st December 2023 (or such other date as agreed by the parties in writing);

(b) Complant Sugar has undertaken to provide continuing financial support, including not to recall the amount due to them of HK$534,608,000 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; and

(c) 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.

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

Assuming the successful implementation of the above measures, the directors were of the opinion that the Group would have sufficient financial resources to finance the operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis notwithstanding that a material uncertainty exists related to the above conditions that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business

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")

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

(a) Adoption of new or amended HKFRSs – effective on 1st January 2021

Amendments to HKFRS 9, HKAS 39, HKFRS 7 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these amended HKFRSs effective on 1st January 2021 has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that are not yet effective for the current accounting period. Impact on the applications of these new or amended HKFRSs are summarised below.

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

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 16	Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKAS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvement to HKFRSs 2018-2020[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction[2]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 16	Covid-19-Related Rent Concession[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

2 Effective for annual periods beginning on or after 1st January 2023.

3 Effective for annual periods beginning on or after 1st April 2021.

4 Effective for annual periods beginning on or after a date to be determined.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sale of goods during the year.

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

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

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

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

	Supporting services	**Sugar business**	**Ethanol business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31st December 2021				
Revenue				
Segment revenue	**—**	**135,619**	**—**	**135,619**
Inter-segment sales	—	—	—	—
Segment revenue	**—**	**135,619**	**—**	**135,619**
Segment results	**27,502**	**(80,776)**	**(4,064)**	**(57,338)**
Unallocated corporate income				**39**
Loss before income tax				**(57,299)**
At 31st December 2021				
Assets and liabilities				
Segment assets	**51,058**	**86,069**	**11,219**	**148,346**
Corporate and other unallocated assets				**2,919**
Total assets				**151,265**
Segment liabilities	**29,160**	**575,068**	**—**	**604,228**
Corporate and other unallocated liabilities				**535,990**
Total liabilities				**1,140,218**

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 2020				
Revenue				
Segment revenue	—	118,472	—	118,472
Inter-segment sales	—	—	—	—
Segment revenue	—	118,472	—	118,472
Segment results	(33,879)	(83,409)	1,317	(115,971)
Unallocated corporate expenses				(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

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 administration expenses, directors remuneration, interest income and finance costs of the corporate management. 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 the head office.
- All liabilities are allocated to operating segments, other than other payables and accrued liabilities of the head office.

Other reportable segment information

Year ended 31st December 2021	**Supporting services** *HK$'000*	**Sugar business** *HK$'000*	**Ethanol business** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment results for segment assets:				
Depreciation	1	1,317	4	1,322
Impairment loss on property, plant and equipment	—	603	—	603
Reversal of impairment loss on trade receivables	25,253	—	—	25,253

Year ended 31st December 2020	Supporting services *HK$'000*	Sugar business *HK$'000*	Ethanol business *HK$'000*	Total *HK$'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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	2021	2020
	HK$'000	*HK$'000*
Jamaica	**123,650**	104,414
United States (the "**US**")	**11,969**	14,058
	135,619	118,472

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

Non-current assets

	2021	2020
	HK$'000	*HK$'000*
Jamaica	**6,665**	7,938
PRC	**15**	16
African countries	**6**	11
	6,686	7,965

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

4. OTHER OPERATING INCOME/(EXPENSES)

	2021	2020
	HK$'000	*HK$'000*
Impairment loss on property, plant and equipment	**(603)**	(1,003)
Reversal of impairment loss/(impairment loss) on trade receivables	**25,253**	(30,784)
	24,650	(31,787)

5. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on amounts due to non-controlling interests	**18,178**	22,671
Interest on lease liabilities	**1,943**	1,926
Exchange loss on borrowings	**56,206**	47,848
	76,327	72,445

6. LOSS FOR THE YEAR

	2021	2020
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Loss on disposal of property, plant and equipment	**—**	29
Depreciation of property, plant and equipment	**1,322**	1,908
Short-term leases expenses	**468**	585

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 owners of the Company of approximately HK$33,178,000 (2020: approximately HK$95,956,000), and the weighted average number of 2,191,180,000 (2020: 2,191,180,000) ordinary shares in issue during the year.

No diluted loss per share is calculated for the years ended 31st December 2021 and 2020 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 2021 and 2020.

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$1,226,000 (2020: approximately HK$556,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

Growing Cane

	2021	2020
	HK$'000	*HK$'000*
Opening balance	**13,344**	27,240
Cane cultivation cost capitalised	**46,417**	37,269
Decrease in fair value of cane harvested	**(35,830)**	(29,016)
Change in fair value	**(4,122)**	(19,887)
Exchange realignment	**(1,090)**	(2,262)
Closing balance	**18,719**	13,344

The decrease in fair value of growing cane for the year ended of approximately HK$4,122,000 (2020: approximately HK$19,887,000) is reflected in the consolidated statement of profit or loss.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**61,928**	88,965
Less: Impairment loss	**(57,157)**	(82,067)
	4,771	6,898
Prepayments	**1,412**	5,263
Other receivables and deposits	**589**	708
Closing balance	**6,772**	12,869

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 (2020: 90-365 days) to its customers of supporting services of sweetener and ethanol business, 30 days (2020: 30 days) to customers of raw sugar trading and 60 days (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
0 - 30 days	**3,149**	6,898
31 - 60 days	**132**	—
61 - 90 days	**—**	—
91 - 365 days	**328**	—
> 365 days	**58,319**	82,067
	61,928	88,965

13. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**9,589**	10,708
Other payables and accrued liabilities	**570,125**	568,267
	579,714	578,975

Trade payables credit period granted by trade creditors of supporting services of sweetener and ethanol business is 0-365 days (2020: 0-365 days) while credit period granted by trade creditors of sugar business is 30 days (2020: 30 days).

13. TRADE AND OTHER PAYABLES *(Continued)*

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

	2021	2020
	HK$'000	*HK$'000*
Not yet due	**1,140**	1,183
Overdue 1 - 90 days	**7,597**	347
Overdue 91 -180 days	**22**	14
Overdue 181 - 365 days	**830**	316
Overdue > 365 days	**—**	8,848
	9,589	10,708

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 2021 and 2020, included in other payables and accrued liabilities of was as amount due to Complant Sugar of HK$533,700,000 upon the maturity of the convertible notes on 27th February 2019. 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 2021, the revenue of the Group increased by approximately 14.5% to approximately HK$135.6 million (2020: approximately HK$118.5 million). The increase in revenue of approximately HK$17.1 million in year 2021 was all contributed by the increase in revenue from the sugar business segment.

The gross profit for the year ended 31st December 2021 decreased by approximately HK$6.3 million to approximately HK$21.9 million (2020: approximately HK$28.2 million). The gross profit percentage also decreased by approximately 7.6% to approximately 16.2% (2020: approximately 23.8%). As further elaborated below, the decrease in gross profit and gross profit percentage was because the magnitude of the increase in production cost of the sugar business segment was greater than that of the increase in the average selling price.

The loss before taxation decreased by approximately HK$63.9 million to approximately HK$57.3 million (2020: approximately HK$121.2 million). As further elaborated below, the decrease in loss before taxation was mainly due to the net combined effects of the positive impacts which included: (i) a decrease in loss in fair value of biological assets of approximately HK$15.8 million; (ii) the changes in other operating income and expenses of approximately HK$56.4 million (consisting of firstly the increase in other operating income from the reversal of impairment loss on trade receivables upon the receipts of payment from the impaired trade receivable of approximately HK$25.2 million and secondly the decrease in other operating expenses resulting from the decrease of impairment loss on trade receivables of approximately HK$30.8 million and on property, plant and equipment of approximately HK$0.4 million respectively); and (iii) an increase in other revenue of approximately HK$0.4 million; and (iv) the decrease of administrative expense of approximately HK$1.5 million; as well as the negative impacts which included: (v) the decrease of gross profit of approximately HK$6.3 million; and (vi) the increase of finance expense of approximately HK$3.9 million.

Basic loss per share for the year was approximately HK1.51 cents (2020: approximately HK4.38 cents).

The directors do not recommend the payment of a dividend for the year ended 31st December 2021 (2020: 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 an increase in revenue of approximately J$0.4 billion to approximately J$2.6 billion (approximately HK$135.6 million) (2020: approximately J$2.2 billion (approximately HK$118.5 million)).

The approximately 14.5% increase in revenue was brought by the increase in sales volume and average selling price (as separately explained below).

The sales volume of raw sugar and molasses was increased by approximately 700 tonnes of raw sugar (approximately 4.8%) and by approximately 2,600 tonnes of molasses (approximately 22.2%) respectively as compared with that in year 2020 for reason of the increase in raw sugar and molasses output during the year following the increase in input of sugar cane of approximately 66,800 tonnes in year 2021. In year 2021, Jamaica, like other countries in the world, was affected by the Covid-19 pandemic. By virtue of the Joyful Right Group encouraged employees to be vaccinated, required employees to wear masks, maintained social distance and took necessary disinfection measures. In 2021, there was no need for temporary closure of the Frome Sugar Factory or Frome Sugar Estate due to large-scale infection. Joyful Right Group produced approximately 15,700 tonnes of raw sugar and approximately 14,600 tonnes of molasses by crushing input of sugar cane of approximately 259,200 tonnes in year 2021 as compared with the production of approximately 11,200 tonnes of raw sugar and approximately 11,200 tonnes of molasses by crushing input of sugar cane of approximately 192,400 tonnes in year 2020. As constant agricultural inputs were needed to restore the yield from the Frome Sugar Estate, or else the output would gradually decrease. Under the impact of Covid-19 pandemic, the rising farming cost restricted the increase in inputs of fertilizer and fuel which affected the yield from the Frome Sugar Estate, the output of sugar cane of the Frome Sugar Estate can only remain to be similar level with that of last year. In that event, the increase in input of sugar cane was mainly due to the increase in quantity of sugar cane supplied from the sugar cane farmers as the higher sugar cane prices incentivized the increase in sugar cane production of those sugar cane farmers. Furthermore, the Government of Jamaica, in supporting the sugar industry, has subsidized the transport of sugar cane farmers reaped sugar cane to the two remaining factories in Jamaica to be processed. These contributed to the increase in supply of sugar cane from sugar cane farmers in year 2021.

The average selling price of raw sugar and molasses increased by approximately 7.2% and approximately 13.8% in year 2021 as compared to that in year 2020. The increase in average selling price was mainly due to decrease in raw sugar supply both locally and internationally. Locally, the issue of low returns resulted in the closure of several sugar factories over past few years, the Appleton factory owned and operated by Campari Group was the latest to close in year 2020. There remain only two operating factories in Jamaica. Internationally, the extreme weather and the soaring demand for ethanol in Brazil and India, the world's top two sugar producers, have contributed to the rally as more sugar cane was diverted to making the biofuel and decreased the output for raw sugar.

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

	2021			2020		
	J$'million	***HK$ 'million***	***% of Revenue***	*J$' million*	*HK$ 'million*	*% of Revenue*
By region						
Jamaica	**2,396.3**	**123.6**	**91.2**	1,926.5	104.4	88.1
US	**232.0**	**12.0**	**8.8**	259.3	14.1	11.9
	2,628.3	**135.6**	**100.0**	2,185.8	118.5	100.0

In year 2021, Joyful Right Group increased the domestic sales in Jamaica from approximately 88.1% to approximately 91.2% and decreased the overseas sales from approximately 11.9% to approximately 8.8%. In context of expressed as tonne, the domestic sales showed an increase of 1,567 tonnes of raw sugar in Jamaica and the overseas sales to US showed a decrease of 850 tonnes of raw sugar. The increase in the domestic sale in year 2021 was mainly due to the increase in domestic sales quota allocated to Joyful Right Group following the closure of other sugar factories. As the selling price in Jamaica is higher than the US market, we strived to satisfy the domestic market first and then exported the excess to US but PCSC still roughly managed to maintain the overseas to domestic sales ratio of approximately 10:90.

In terms of gross trading results, the Joyful Right Group recorded a decrease in gross profit of approximately J$95.4 million (approximately HK$6.3 million) to approximately J$425.3 million (approximately HK$21.9 million) (2020: approximately J$520.7 million (approximately HK$28.2 million)). The gross profit percentage recorded a decrease of approximately 7.6% to approximately 16.2% in year 2021 (2020: approximately 23.8%). The approximately 7.6% decrease in gross profit ratio in year 2021 was mainly due to the increase in average selling price of raw sugar and molasses by approximately 7.2% and by approximately 13.8% respectively in year 2021, which were insufficient to cover the increase in production cost of raw sugar and molasses by approximately 24.0% and by approximately 27.3% respectively in year 2021. The respective production cost per tonne of raw sugar and molasses in year 2021 were approximately J$123,000 (approximately HK$6,300) and J$16,900 (approximately HK$870) as compared to approximately J$99,200 (approximately HK$5,400) and approximately J$13,300 (approximately HK$720) in year 2020.

The increase in production cost of approximately 24.0% for of raw sugar and approximately 27.3% for molasses was mainly driven up by approximately 19.1% increase in staff cost and approximately 25.6% increase in cost of sugar cane. The approximately 19.1% increase in staff cost was mainly driven up by the additional staff recruited to cope with the additional workload under the longer sugar cane crushing period and the additional workload for factory and farm machinery overhauls in year 2021. The improved liquidity made the Joyful Right Group to have more funding to recruit more staff for the factory overhaul that cannot be carry out in previous years. The approximately 25.6% increase in cost of sugar cane was mainly driven up by the approximately 31.0% increase in market price of sugar cane from approximately J$4,200 per tonne in year 2020 to J$5,500 per tonne in year 2021. The market price of sugar cane was partly driven up by the increase in ultimate selling price of raw sugar and partly driven by the improvement of sugar cane quality of a higher sugar content. On the other hand, the farming cost per hectare of the Frome Sugar Estate also increased significantly by the approximately 27.7% from approximately J$248,000 (approximately HK$13,000) in year 2020 to approximately J$317,000 (approximately HK$16,000) in year 2021. This increase in farming cost was caused by the significant increase in input costs, such as fertilizers and fuels.

In terms of net operation results, this segment recorded net loss of approximately HK$80.8 million (2020: approximately HK$83.4 million). The decrease in net loss of approximately HK$2.6 million was mainly attributable to the net combined effects of the positive impacts of: (i) the approximately HK$0.6 million increase in other income and expenses which mainly caused by increase in sale of materials to sugar cane farmers and sub-contractors, (ii) the decrease in fair value loss of biological assets of approximately HK$15.8 million mainly attributed to the approximately 31.0% increase in market price of sugar cane. There was also no further decrease in farmland in year 2021. There was approximately 1,600 hectares of farmland to lay fallow of those lower yield farmland in year 2020 and the farmland to lay fallow remain the same in year 2021. (iii) the approximately HK$0.4 million lower in administrative expenses resulting from various cost control measures adopted; (iv) the approximately HK$0.4 million lower in other expense of impairment loss of property, plant and equipment resulting from improvement in value-in-use of the cane root in year 2021; as well as the negative impacts of; (v) an decrease in gross profit of approximately HK$6.3 million as explained above; and (vi) the approximately HK$8.3 million increase in finance cost of mainly relating to the increase in 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 7.3%.

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 2021.

In terms of net operation results, this segment recorded net loss of approximately HK$4.1 million (2020: net profit of approximately HK$1.3 million). The net loss was mainly related to the foreign exchange loss incurred in year 2021.

Supporting services to sweetener and ethanol business

Business review

The supporting service business segment remain inactive and did not record revenue in year 2021 and 2020. The business of the supporting service business 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 service business segment cannot carry out any continuing connected transaction with its customers with connected parties. In order to mitigate this negative impact, the supporting service business segment has incorporated a subsidiary, Zheng Cheng International Trade (Guangzhou) Limited ("**Zheng Cheng**"), in the PRC to carry out the supporting services to sweetener and ethanol business 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 2021 and 2020.

The operating profit of this segment (that after elimination of inter-segment profit, if any,) was approximately HK$27.5 million (2020: the operating loss of approximately HK$33.9 million). The increase in operating profit of approximately HK$61.4 million was mainly due to the (i) an increase in other operating income of approximately HK$25.2 million attributable to the reversal of impairment loss on trade receivables upon the receipt of payment from the impaired trade receivable; (ii) a decrease in other operating expense of approximately HK$30.8 million relating to the decrease in impairment loss on trade receivables; (iii) an increase of foreign exchange re-translation gain of approximately HK$4.5 million; and (iv) the approximately HK$0.9 million lower in administrative expenses resulting mainly from the reduction in staff cost

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 31st December 2021, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (2020: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 31st December 2021 amounts to approximately HK$815.5 million (2020: approximately HK$812.5 million).

Borrowings

As at 31st December 2021, 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$1,094.2 million (2020: approximately HK$1,072.1 million), of which approximately HK$533.7 million (2020: approximately HK$533.7 million) was the amount payable on demand to Complant Sugar, approximately HK$534.6 million (2020: approximately HK$512.6 million) was the amounts due to non-controlling interests, and approximately HK$25.9 million (2020: approximately HK$25.8 million) was the lease liabilities.

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$815.5 million (2020: approximately HK$812.5 million), the calculation of gearing ratio as at 31st December 2021 and 2020 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 31st December 2021 amounted to approximately HK81.2 million (2020: approximately HK$63.5 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 increased by approximately HK$17.7 million. The approximately HK$17.7 million increase cash and cash equivalents was brought by the net cash from operating activities of approximately HK$15.5 million, the net cash outflow from investing activities of approximately HK$1.1 million, the net cash outflow from finance activities of approximately HK$2.1 million and the positive effect of exchange rate changes on cash and cash equivalents of approximately HK$5.4 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 2021 and 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.

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$39.6 million (2020: approximately HK$35.9 million), of which, approximately J$0.7 billion (approximately HK$38.4 million) (2020: approximately J$0.6 billion (approximately HK$34.0 million)) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The approximately HK$3.7 million increase in staff cost was mainly due to the net effect of the positive impact of: (i) the decrease in staff cost of approximately HK$0.7 million for the reduction of staff cost of the supporting services segment by shifting some permanent post into concurrent post to alleviate the running cost as well as the negative impact of: (ii) the increase in staff cost of approximately HK$4.4 million of the sugar business segment for the additional staff recruited to cope with the additional workload under the lengthened sugar cane crushing period and the additional workload for factory and farm machinery overhauls in year 2021.

As at 31st December 2021, the Group had 141 full time employees (2020: 116) and 527 temporary employees (2020: 422).

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 2021.

Except that, the Group had no other future plans for material investment 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 2021.

FOREIGN EXCHANGE EXPOSURE

The Group's operates in Jamaica and African countries, China and Hong Kong. During the year ended 31st December 2021, 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 2021 and 2020.

PROSPECTS

Sugar business segment

On the sales side, due to the continuous variation of the new Covid-19, there is uncertainty about what impact will have on Joyful Right Group in year 2022. The numbers of Covid-19 infections in Jamaica continues to be high. The slumps in international travel and port activity have led to severe contraction in tourism, production, distribution and entertainment activities. It may weaken the local demand of raw sugar and molasses in year 2022. However, the selling price of raw sugar and molasses is expected to remain elevated in year 2022 because of the expected decrease in supply. The local supply from the local sugar production in Jamaica continues to decline and international supply from Brazil, the world's largest producer, is also impacted by the dry weather. The overall revenue may be able to maintain at similar level of last year.

On the production side, the control measures under Covid-19 pandemic and escalating input cost may inhibit the farming and production activities. The input of sugar cane supplying from the Frome Sugar Estate may reduce in year 2022. In order to reduce such negative effect, if financial is feasible, the procurement from sugar cane farmers will further increase to meet the production requirement in year 2022. The stringent COVID-19 containment measures globally have broken global supply chain. It will continue to push up the procurement cost of our major supplies, the escalation in procurement cost of raw materials will further levy heavy pressure on the gross profit in year 2022.

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 2022.

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 the Frome Sugar Estate.

Supporting service segment

The Group expects that Sino-Africa Technology & Trading Limited will continue to suspend those continuing connected transactions with connected parties in year 2022. As affected by the overdue trade receivable, Zheng Cheng may not conduct further business in year 2022 until the account receivables can be collected to finance future transactions.

The supporting service segment will continue to control the cash outflows through maintaining key employee in concurrent post and keeping a small office.

Ethanol business segment

For the Group's ethanol biofuel business, the construction of ethanol plant will continue to suspend in year 2022, pending for appropriate alternate business plan for this operation.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December 2021, 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 year 2022.

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 year. 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 29th June 2021.

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 2021 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 2021.

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 2021 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 2021

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31st December 2021. 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 2021, 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 3(b) in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$ 33,178,354 for the year ended 31 December 2021 and, as of that date, the Group had net current liabilities and net liabilities of HK$1,115,005,157 and HK$988,953,000 respectively. 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 2021, 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 2022

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.

* *For identification purpose only*