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## **HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED**

**華聯國際（控股）有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 969)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2016**

The board of directors (the “Board”) of Hua Lien International (Holding) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2016 together with the comparative figures as follow:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30th June 2016*

		<b>Six months ended 30th June</b>	
		<b>2016</b>	2015
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	(3)	<b>148,900</b>	198,154
Cost of sales		<b>(128,734)</b>	(180,358)
Gross profit		<b>20,166</b>	17,796
Changes in fair value of biological assets	(11)	<b>(27,266)</b>	(34,471)
Other income		<b>3,737</b>	3,628
Administrative expenses		<b>(41,357)</b>	(42,588)
Other operating expenses	(4)	<b>(25,698)</b>	(62,575)
Finance costs	(5)	<b>(46,789)</b>	(20,600)
Loss before income tax expense		<b>(117,207)</b>	(138,810)
Income tax expense	(7)	—	—
Loss for the period	(6)	<b>(117,207)</b>	(138,810)

*\* For identification purposes only*

		<b>Six months ended 30th June</b>	
		<b>2016</b>	2015
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to:			
Owners of the Company		<b>(96,876)</b>	(120,909)
Non-controlling interests		<b>(20,331)</b>	(17,901)
		<u>                    </u>	<u>                    </u>
		<b>(117,207)</b>	(138,810)
Other comprehensive loss for the period			
<i>Items that may be reclassified subsequently</i>			
<i>to profit or loss:</i>			
Exchange differences arising on translation		<b>(107)</b>	(8,171)
		<u>                    </u>	<u>                    </u>
Total comprehensive loss for the period		<b>(117,314)</b>	(146,981)
		<u>                    </u>	<u>                    </u>
Total comprehensive loss for the period			
attributable to:			
Owners of the Company		<b>(96,990)</b>	(126,243)
Non-controlling interests		<b>(20,324)</b>	(20,738)
		<u>                    </u>	<u>                    </u>
		<b>(117,314)</b>	(146,981)
		<u>                    </u>	<u>                    </u>
<b>Loss per share</b>	<b>(8)</b>		
— Basic (cents per share)		<b>(0.0442)</b>	(0.0552)
		<u>                    </u>	<u>                    </u>
— Diluted (cents per share)		<b>(0.0442)</b>	(0.0552)
		<u>                    </u>	<u>                    </u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2016

		30th June 2016 (unaudited) HK\$'000	31st December 2015 (audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	(10)	322,012	346,629
Goodwill		31,221	31,221
Intangible asset		267,900	278,475
		<u>621,133</u>	<u>656,325</u>
Current assets			
Biological assets — growing cane	(11)	20,942	92,353
Inventories		168,519	97,046
Trade and other receivables	(12)	213,260	248,925
Bank balances, deposits and cash		131,838	125,949
		<u>534,559</u>	<u>564,273</u>
Current liabilities			
Trade and other payables	(13)	237,460	252,999
Derivative component of convertible notes		4,547	736
Liabilities component of convertible notes		63,460	22,833
Amount due to non-controlling interests		400,594	353,730
		<u>706,061</u>	<u>630,298</u>
Net current liabilities		<u>(171,502)</u>	<u>(66,025)</u>
Total assets less current liabilities		<u>449,631</u>	<u>590,300</u>
Non-current liabilities			
Derivative component of convertible notes		77,823	80,282
Liabilities component of convertible notes		426,955	447,851
Total non-current liabilities		<u>504,778</u>	<u>528,133</u>
Net (liabilities)/assets		<u>(55,147)</u>	<u>62,167</u>
Capital and reserves			
Share capital		219,118	219,118
Reserves		(266,342)	(169,352)
(Capital deficiency)/equity attributable to owners of the Company		<u>(47,224)</u>	49,766
Non-controlling interests		<u>(7,923)</u>	<u>12,401</u>
Total (capital deficiency)/equity		<u>(55,147)</u>	<u>62,167</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2016 have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. This should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost basis, except for biological assets of growing cane, which are measured at fair values. The accounting policies used in the condensed consolidated financial information for the six months ended 30th June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2015, except for as described below.

In the current interim period, the Group have applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to IFRSs 2012 — 2014 Cycle

The nature of the changes in accounting policy on adoption of the amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants is described below:

The HKAS 16 and HKAS 41 Agriculture: Bearer Plants has an effective date of 1st January 2016. The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41. The biological assets of cane roots of the Group that has met the definition of bearer plant are needed to be accounted for under property, plant and equipment since 1st January 2016 and the biological assets of growing cane that are produce growing on the biological assets of cane roots continues to be accounted for under biological assets.

The nature of the other impending changes in accounting policy on adoption is described below:

The application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

### **3. TURNOVER AND SEGMENT INFORMATION**

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

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

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

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

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

	<b>Supporting services <i>HK\$'000</i></b>	<b>Sugar business <i>HK\$'000</i></b>	<b>Ethanol business <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>Year ended 30th June 2016</b>				
<b>Segment turnover</b>	26,064	125,329	—	151,393
Inter-segment sales	(2,493)	—	—	(2,493)
	<hr/>	<hr/>	<hr/>	<hr/>
Sales to external customers	<b>23,571</b>	<b>125,329</b>	—	<b>148,900</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Segment results</b>	(26,822)	(67,851)	(768)	(95,441)
Unallocated corporate expenses				(2,606)
Finance costs				(19,160)
				<hr/>
Loss before tax				<b>(117,207)</b>
				<hr/> <hr/>
<b>At 30th June 2016</b>				
<b>Segment assets</b>	555,112	581,336	10,882	1,147,330
Corporate and other unallocated assets				8,362
				<hr/>
Total assets				<b>1,155,692</b>
				<hr/> <hr/>
<b>Segment liabilities</b>	164,769	469,805	2,997	637,571
Corporate and other unallocated liabilities				573,268
				<hr/>
Total liabilities				<b>1,210,839</b>
				<hr/> <hr/>

	Supporting services <i>HK\$'000</i>	Sugar business <i>HK\$'000</i>	Ethanol business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30th June 2015				
Segment turnover	30,643	171,802	—	202,445
Inter-segment sales	(4,291)	—	—	(4,291)
	<hr/>	<hr/>	<hr/>	<hr/>
Sales to external customers	<u>26,352</u>	<u>171,802</u>	<u>—</u>	<u>198,154</u>
Segment results	(59,116)	(58,957)	(1,618)	(119,691)
Unallocated corporate expenses				(888)
Finance costs				(18,231)
				<hr/>
Loss before tax				<u>(138,810)</u>
At 31st December 2015				
Segment assets	574,506	624,320	10,795	1,209,621
Corporate and other unallocated assets				10,977
				<hr/>
Total assets				<u>1,220,598</u>
Segment liabilities	186,563	415,949	2,897	605,409
Corporate and other unallocated liabilities				553,022
				<hr/>
Total liabilities				<u>1,158,431</u>

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

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

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

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

## Other reportable segment information

	Supporting services <i>HK\$'000</i>	Sugar business <i>HK\$'000</i>	Ethanol business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30th June 2016</b>				
<b>Amounts included in the measure of segment profit or loss for segment assets:</b>				
Depreciation and amortisation	10,592	8,103	25	18,720
Impairment loss on property, plant and equipment	—	15,778	—	15,778
Allowance for doubtful debts in trade and other receivables	15,123	—	—	15,123
	<u>15,123</u>	<u>—</u>	<u>—</u>	<u>15,123</u>
	Supporting services <i>HK\$'000</i>	Sugar business <i>HK\$'000</i>	Ethanol business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Six months ended 30th June 2015</b>				
<b>Amounts included in the measure of segment profit or loss for segment assets:</b>				
Depreciation and amortisation	10,619	7,331	24	17,974
Allowance for doubtful debts in trade and other receivables	52,000	—	—	52,000
	<u>52,000</u>	<u>—</u>	<u>—</u>	<u>52,000</u>

## Geographic Information

### Revenue from external customers

	Six months ended 30th June	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
African Countries	23,571	26,352
Jamaica	124,829	130,319
Barbados	500	—
U.S.A.	—	41,483
	<u>148,900</u>	<u>198,154</u>

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



## Non-current assets

	<b>30th June 2016 <i>HK\$'000</i></b>	31st December 2015 <i>HK\$'000</i>
African Countries	<b>53</b>	70
Jamaica	<b>321,889</b>	346,466
People's Republic of China	<b>299,191</b>	309,789
	<hr/> <b>621,133</b> <hr/>	<hr/> 656,325 <hr/>

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

## 4. OTHER OPERATING EXPENSES

	<b>Six months ended 30th June</b>	
	<b>2016 (unaudited) <i>HK\$'000</i></b>	2015 (unaudited) <i>HK\$'000</i>
Amortisation of intangible assets	<b>10,575</b>	10,575
Allowance for doubtful debts in trade and other receivables	<b>15,123</b>	52,000
	<hr/> <b>25,698</b> <hr/>	<hr/> 62,575 <hr/>

## 5. FINANCE COSTS

	<b>Six months ended 30th June</b>	
	<b>2016 (unaudited) <i>HK\$'000</i></b>	2015 (unaudited) <i>HK\$'000</i>
Interest on:		
Amounts due to non-controlling interests	<b>16,904</b>	6,400
Bank borrowings	—	341
Imputed interest expenses on convertible notes	<b>19,731</b>	18,071
Exchange losses on borrowings	<b>10,154</b>	3,195
	<hr/> <b>46,789</b> <hr/>	<hr/> 28,007 <hr/>
Total borrowing costs	<b>46,789</b>	28,007
Less: amount capitalized in the cost of qualifying assets	—	(7,407)
	<hr/> <b>46,789</b> <hr/>	<hr/> 20,600 <hr/>

## 6. LOSS FOR THE PERIOD

Six months ended 30th June	
2016	2015
(unaudited)	(unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>

Loss for the period has been arrived at after charging:

Depreciation of property, plant and equipment	<u>8,145</u>	<u>7,399</u>
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## 7. INCOME TAX EXPENSE

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

## 8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the period attributable to equity holders of the Company of HK\$96,876,000 (six months ended 30th June 2015:HK\$120,909,000), and the weighted average number of 2,191,180,000 (30th June 2015: 2,191,180,000) ordinary shares in issue during the period.

No adjustment has been made to the loss per share accounts presented for the period ended 30th June 2016 and 30th June 2015 in respect of dilution as the impacts of the convertible notes outstanding had an anti-dilutive effect on the loss per share presented.

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2016 (six months ended 30th June 2015: Nil).

## 10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$12,474,000 (six months ended 30th June 2015: HK\$54,251,000) on acquisition of property, plant and equipment.

## 11. BIOLOGICAL ASSETS — GROWING CANE

	<b>30th June 2016 (unaudited) HK\$'000</b>	31st December 2015 (audited) HK\$'000
Opening balance	92,353	86,779
Cane cultivation cost capitalised	57,311	111,910
Decrease in fair value of cane harvested	(99,201)	(112,627)
Change in fair value	(27,266)	10,656
Exchange differences	(2,255)	(4,365)
	<u>20,942</u>	<u>92,353</u>
Carrying value at end of the period	<u><b>20,942</b></u>	<u><b>92,353</b></u>

The decrease of in fair value of growing cane for the period ended of HK\$27,266,000 (six months ended 30th June 2015: HK\$34,471,000) is reflected in the profit or loss.

## 12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of approximately HK\$203,755,000 (31st December 2015: HK\$232,316,000), within which of approximately HK\$187,835,000 (31st December 2015: HK\$210,554,000) is relating to trade customers of supporting services of sweetener and ethanol business and the remaining of approximately HK\$15,920,000 (31st December 2015: HK\$21,762,000) is relating to trade customers of sugar business in Jamaica.

The Group allows a credit period of 365 days (31st December 2015: 365 days) to its trade customers of supporting services of sweetener and ethanol business, 0 to 30 days (31st December 2015: 0 to 30 days) to trade customers of raw sugar trading and 60 days' credit period are granted to trade customers of molasses trading in Jamaica. The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	<b>30th June 2016 (unaudited) HK\$'000</b>	31st December 2015 (audited) HK\$'000
0 - 30 days	8,772	49,086
31 - 60 days	17,333	10,889
61 - 90 days	4,583	2,587
91 - 365 days	40,518	58,843
> 365 days	132,549	110,911
	<u>203,755</u>	<u>232,316</u>
	<u><b>203,755</b></u>	<u><b>232,316</b></u>

As at 30th June 2016, the Group's trade receivables included HK\$147,713,000 (31st December 2015: HK\$132,673,000) (see below for aging analysis) which were past due for which the Group had not provided for allowance for doubtful debts. These balances were due from customers of good credit quality with no history of default.

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

	<b>30th June 2016 (unaudited) HK\$'000</b>	31st December 2015 (audited) HK\$'000
Overdue 1 - 90 days	13,807	77,370
Overdue 91 -180 days	89,759	4,915
Overdue 181 - 365 days	7,814	50,388
Overdue >365 days	36,333	—
	<u>147,713</u>	<u>132,673</u>

The Group's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period. During the six months ended 30th June 2016, the Group charged HK\$15,123,000 to profit and loss for additional allowance for doubtful debts. The balance of the allowance for doubtful debts of trade receivables is as follows:

	<b>30th June 2016 (unaudited) HK\$'000</b>	31st December 2015 (audited) HK\$'000
Balance of allowance for doubtful debts of trade receivables	<u>40,123</u>	<u>25,000</u>

### 13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$100,210,000 (31st December 2015: HK\$137,232,000), within which of approximately HK\$74,053,000 (31st December 2015: HK\$116,960,000) is relating to trade payables of supporting services of sweetener and ethanol business and HK\$26,157,000 (31st December 2015: HK\$20,272,000) is relating to trade payables of sugar business.

Credit period granted by trade creditors of supporting services of sweetener and ethanol business is 365 days (31st December 2015: 365 days) while credit period granted by trade creditors of sugar business in Jamaica external suppliers is from zero to 30 days (31st December 2015: zero to 30 days).

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

	<b>30th June 2016 (unaudited) HK\$'000</b>	31st December 2015 (audited) HK\$'000
Not yet due	79,133	124,751
Overdue 1 - 90 days	15,835	3,882
Overdue 91 -180 days	151	4,645
Overdue 181 - 365 days	635	2,983
Overdue > 365 days	4,456	971
	<u>100,210</u>	<u>137,232</u>

#### 14. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18th July 2016, the Company entered into a Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 3,700,000,000 Subscription Shares at the Subscription Price of HK\$0.16 per Subscription Share. On the same day, the Company also entered into a Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed, on a fully underwritten basis, to procure not less than six Places to subscribe for 800,000,000 Placing Shares at the Placing Price of HK\$0.16 per Placing Share.

For details of the Possible Subscription and Placing, please refer to the Company's announcement dated 21st July 2016.

#### 15. COMPARATIVE FIGURES

Comparative figure of biological assets of cane root has been reclassified to conform to current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **OVERALL PERFORMANCE**

For the six months ended 30th June 2016, the turnover of the Group decreased by 24.8% to approximately HK\$148.9 million (six months ended 30th June 2015: approximately HK\$198.2 million).

The gross profit increased by approximately HK\$2.4 million to approximately HK\$20.2 million (six months ended 30th June 2015: approximately HK\$17.8 million) due to the improvement in overall gross profit percentage. The overall gross profit percentage increased by approximately 4.6% to approximately 13.5% (six months ended 30th June 2015: approximately 9.0%). As explained in below section in sugar cane growing and sugar manufacturing, the improvement in gross profit percentage was mainly due to the improvement in average selling price and decrease in production cost during the period.

The loss for the period decreased by HK\$21.6 million to approximately HK\$117.2 million (six months ended 30th June 2015: approximately HK\$138.8 million). As explained in below section in supporting services to sweetener and ethanol business, the decrease in loss before taxation was mainly due to the decrease in the expense for allowance for doubtful debts in trade and other receivables of approximately HK\$39.4 million during the period.

Basic loss per share for the period was HK4.42 cents (six months ended 30th June 2015: HK5.52 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2016 (six months ended 30th June 2015: 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 in Jamaica since 15 August 2011, a 70% indirectly owned subsidiary of the Company, together called “Joyful Right Group”. The following analysis of sugar cane growing and sugar manufacturing business in Jamaica is based on Joyful Right Group.

For the turnover, Joyful Right Group recorded a turnover of approximately J\$1,973.7 million (approximately HK\$125.3 million) for the six months ended 30th June 2016 (six months ended 30th June 2015: approximately J\$2,552.8 million (approximately HK\$171.8 million)). The decrease in turnover in Jamaican dollar of J\$579.1 million (approximately HK\$46.5 million) was mainly due to the decrease in production output of approximately 15.1% in raw sugar and approximately 6.5% in molasses. Joyful Right Group produced approximately 42,900 tonnes of raw sugar and 31,900 tonnes of molasses for the six months ended 30th June 2016 compared with approximately 50,500 tonnes of raw sugar and 34,100 tonnes of molasses for the same period last year. Joyful Right Group crushed approximately 640,600 tonnes of sugar cane for the six months ended 30th June 2016 compared with approximately 683,000 tonnes, a decrease of approximately 6.2%, for the same period last year.

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

	<b>Six months ended 30th June</b>					
	<b>2016</b>			<b>2015</b>		
	<b>J\$'million</b>	<b>HK\$'million</b>	<b>% of Turnover</b>	<b>J\$'Million</b>	<b>HK\$'million</b>	<b>% of Turnover</b>
By region						
Jamaica	<b>1,965.8</b>	<b>124.8</b>	<b>99.6</b>	1,936.4	130.3	75.9
Barbados	<b>7.9</b>	<b>0.5</b>	<b>0.4</b>	—	—	—
U.S.A.	—	—	—	616.4	41.5	24.1
	<b><u>1,973.7</u></b>	<b><u>125.3</u></b>	<b><u>100.0</u></b>	<b><u>2,552.8</u></b>	<b><u>171.8</u></b>	<b><u>100.0</u></b>

As shown in above table, Jamaica remains the principal market for Joyful Right Group. The local sales in Jamaica accounted for approximately 99.6% (six months ended 30th June 2015: 75.9%) of total sales and the export to Barbados accounted for approximately 0.4% (six months ended 30th June 2015: export to U.S.A. 24.1%). It is because the average selling price in Jamaica for this period is still higher than that in international market and Joyful Right therefore will fulfill all local demand before export the excess overseas. Joyful Right Group is trying to expand its customer base in Caribbean Countries, where the raw sugar export has no quota restriction and the export price is similar to U. S. A. where the raw sugar export must be within the quota granted. Joyful Right Group shipped 125 tonnes of raw sugar to Barbados during first half of the year.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of J\$165.0 million (approximately HK\$10.5 million) (six months ended 30th June 2015: approximately J\$61.0 million (approximately HK\$4.1 million)). The gross ratio is improved by approximately 6.0% and increased to 8.4% for the six months ended 30th June 2016 compared with gross profit ratio

of approximately 2.4% for the same period last year. The improvement in gross profit percentage was mainly due to the improvement in average selling price in Jamaican dollars by approximately 0.9% for raw sugar and approximately 2.2% for molasses during the period and decrease in the average per-unit cost of raw sugar sold by about 2.3% and the average per-unit cost of molasses sold by about 14.0% during the period. The average selling price for raw sugar and molasses for the six months ended 30th June 2016 was approximately J\$77,600 (approximately HK\$4,900) and approximately J\$14,700 (approximately HK\$933) per tonne respectively compared the average selling price per tonne of raw sugar of approximately J\$76,400 (approximately HK\$4,900) and approximately J\$14,300 (approximately HK\$962) per tonne of molasses respectively for first half of 2015. The average per-unit cost of raw sugar and molasses sold was approximately J\$71,000 (approximately HK\$4,500) per tonne and approximately J\$13,500 (approximately HK\$857) per tonne respectively compared the average per-unit cost of raw sugar and molasses sold of approximately J\$72,700 (approximately HK\$5,100) and approximately J\$15,700 (approximately HK\$1,100) per tonne respectively for first half of 2015. These factors have resulted in an increase in gross profit in first half of 2016.

In terms of net operation results, the Joyful Right Group recorded a net loss of approximately J\$1,063.2 million (approximately HK\$67.5 million) (six months ended 30th June 2015: approximately J\$877.4 million (approximately HK\$59.0 million)). The additional loss of approximately J\$185.8 million (approximately HK\$11.8 million) was mainly due to the approximately J\$249.6 million (approximately HK\$15.8 million) increase in interest expense on short term loan from COMPLANT International Sugar Industry Co., Ltd. (“COMPLANT”). The increase in interest expense was due to the additional drawn-down of approximately US\$18.2 million from the US\$50 million revolving loan facility granted by COMPLANT in year 2015 to finance the factory upgrade in Monymusk Estate and Frome Estate and the working capital of Joyful Right Group.

## **Supporting services to sweetener and ethanol business**

### ***Business review***

For the six months ended 2016 and 2015, all the customers of supporting services to sweetener and ethanol business, except the inter-segment sales for the six months ended 2016 and 2015 to Jamaica and Benin, was located in African countries.

The turnover from external customers of approximately HK\$23.6 million (six months ended 30th June 2015: approximately HK\$26.4 million). The decrease in turnover of approximately HK\$2.8 million was mainly due to the net effect of the approximately HK\$5.6 million decrease in orders for fixed asset procurement, the approximately HK\$0.3 million decrease in orders for chemicals and fertilizer procurement and the increase of approximately HK\$3.1 million in orders



for consumables procurement and technical support services. The reduction in sales of fixed assets was mainly due to the cyclical effect from the slow growth in raw sugar price that have lengthened the fixed assets investment cycle of our customers.

The gross profit after elimination of inter-segment profit is approximately HK\$9.1 million (six months ended 30th June 2015: approximately HK\$13.6 million). The gross profit ratio after elimination of inter-segment sales decreased by approximately 9.6% to approximately 42.1% (six months ended 30th June 2015: approximately 51.7%). The decrease in gross profit was mainly brought by the change in sales mix of decreasing sales of higher gross profit products of fixed assets by approximately 5.6 million and of increasing sales of lower gross profit products of consumables by approximately HK\$3.1 million.

The operating loss of this segment that after elimination of inter-segment profit was approximately HK\$26.8 million (six months ended 30th June 2015: approximately HK\$59.1 million). The approximately HK\$32.3 million decrease in operating loss was due to the decrease in the expense for allowance for doubtful debts in trade receivables of approximately HK\$39.4 million during the period. The decrease in expense for allowance for doubtful debts was due to improvement in recoverability of overdue debts. The new development relating to the overdue debts of the two customers who suspended operation in 2015 was as below. One of them was amount due from La Sucrerie de COMPLANT de Madagascar (“African Company 1”, which is incorporated in Republic of Madagascar and is an indirect subsidiary of COMPLANT International Sugar Industry Co., Ltd., “COMPLANT”, which is a substantial shareholder holding 13.69% issued share capital of the Company) of approximately HK\$88.0 million, the operation of which have been forced to temporarily shut down its sugar agricultural and industrial operations after which hardly hit by the labour strike and subsequent riots there in 2015. No provision for this has been made for this overdue debt as government officials of the Republic of Madagascar has started discussion with COMPLANT on different possible compensation for the factory to resume operation. The Group therefore regarded the trade receivable is not impaired. The other one is the amount due from COMPLANT Magbass Sugar Complex Company Limited (“African Company 2”, which is a company incorporated in Republic of Sierra Leone and is an indirectly holding owned subsidiaries of COMPLANT) of approximately of HK\$15.1 million, African Company 2 has operation in Sierra Leone, due to recent outbreak of Ebola in the country, the essential staff in factory has moved out of the country temporarily as precaution and not return yet and created difficulties in sugar crushing to start. In view of the no concrete plan yet for the resumption of operation at the end of reporting period, full provision of allowance of doubtful debts of HK\$15.1 million had been made against the trade receivable of African Company 2. The overall expense for allowance of doubtful debts was decreased since the improvement in recoverability of African Company 1 compared with the same period last year.

In the first half of 2016 and 2015, all the customers of supporting services to sweetener and ethanol business, except the inter-segment sales for six months ended 30th June 2016 to Jamaica and Benin, was located in African countries, which recorded a revenue of approximately HK\$23.6 million (six months ended 30th June 2015: approximately HK\$26.4 million) and the net loss of this segment was approximately HK\$26.8 million (six months ended 30th June 2015: approximately HK\$59.1 million). The review of performance of this segment had already covered in above sections.

## **Ethanol Business**

### ***Business review***

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

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

The operating loss for the six months ended 30th June 2016 of approximately HK\$0.8 million (six month ended 30th June 2015: approximately HK\$1.6 million) was mainly relating to the administration expenses by a subsidiary of the Group for the period.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources Review**

#### **Equity**

As at 30th June 2016, the Company had 2,191,180,000 outstanding ordinary shares of HK\$0.1 each (31st December 2015: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2016 amounts to approximately HK\$47.2 million (31st December 2015: Equity attributable to owners of the Company approximately HK\$49.8 million).

### **Borrowings**

As at 30th June 2016, the Group's total borrowings that consisted of liability components of convertible notes and current portion of amounts due to non-controlling interests, excluding derivative component of convertible notes, of approximately HK\$891.0 million (31st December 2015: HK\$824.4 million), of which approximately HK\$490.4 million (31st December 2015: HK\$470.7 million) was the outstanding five-year zero-coupon Hong Kong-dollar liability components of convertible notes and approximately HK\$400.6 million (31st December 2015: approximately HK\$353.7 million) was the current portion of amounts due to non-controlling interests.

For the outstanding five-year zero-coupon Hong Kong-dollar convertible notes, except a principal amount of HK\$24 million is secured by shares of a subsidiary of the Company, the others were unsecured. For the current portion of amounts due to non-controlling interests, the amount was also unsecured.

### **Gearing**

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK\$47.2 million as at 30th June 2016, calculation of gearing ratio as at 30th June 2016 was inappropriate.

The Group's gearing ratio as at 31st December 2015, which calculated as a ratio of total borrowings (including liability components of convertible notes and current portion of amounts due to non-controlling interests) amounted to approximately HK\$824.4 million in contrast to the shareholders' equity attributable to owners of the Company of approximately HK\$49.8 million, was approximately 1,656.6%.

### **Financial Resources**

Bank deposits and cash balances as at 30th June 2016 amounted to approximately HK\$131.8 million (31st December 2015: HK\$125.9 million), mainly denominated in Hong Kong Dollars, US Dollars and Jamaican dollars. The bank balances were placed in short term deposits with major banks in Hong Kong and Jamaica. The bank balances and cash increased by approximately HK\$5.9 million. The increase was brought by the net effect on the net cash used for operation

of approximately HK\$51.9 million, the net cash used in investing activities of approximately HK\$11.0 million mainly used for acquisition of fixed assets in industrial and agricultural rehabilitation in Jamaica and the net cash inflow from finance activities of approximately HK\$47.1 million mainly from the increase in short-term bridging loan to approximately HK\$400.6 million (31st December 2015: HK\$353.7 million) from COMPLANT.

The Group's funding policy will continue to finance the business operations with internally generated cash and loan facilities. The Group has signed agreement for possible subscription and possible placing of new share of the Company to finance the operation loss.

### **Treasury Policies**

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2016.

### **Foreign Exchange Exposure**

The Group's operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2016, turnover was denominated mainly in US dollar and Jamaican dollar while its costs and expenses were primarily in Jamaican dollar and US dollar where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollar. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

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

## **Pledge of assets**

As at 30th June 2016 and 31st December 2015, River Right Limited (the “River Right”, a wholly-owned subsidiary of the Company) had pledged its interest in 65 shares in Zheng Da Investments Limited (“Zheng Da”), representing 65% of issued capital, as security for the five-years zero-coupon Hong Kong-dollar convertible notes of principal amount of HK\$24 million issued to China-Africa Xin Xing Investment Limited (a wholly-owned subsidiary of China-Africa Development Fund).

As at 30th June 2016 and 31st December 2015, a bank deposit of a subsidiary of approximately J\$20.2 million (approximately HK\$1.2 million) (31st December 2015: approximately J\$44.4 million (approximately HK\$2.9 million)) was pledged by a subsidiary of the Group to secure against its bank guarantee of J\$20.0 million (approximately HK\$1.2 million) in Jamaica as at 30th June 2016 and 31st December 2015 of J\$40.0 million (approximately HK\$2.7 million). The cash collateral account attracts interest at 2.25% for the period ended 30th June 2016 (30th June 2015: 2.25%).

## **Capital Commitment**

As at 30th June 2016, the Group did not have any significant capital commitments.

## **EMPLOYEE REMUNERATION POLICY**

### **Remuneration policies**

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors’ remuneration) of the Group in the period under review was approximately HK\$43.9 million (six months ended 30th June 2015: approximately HK\$49.0 million), of which, approximately HK\$33.0 million (six months ended 30th June 2015: approximately HK\$46.8 million) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The decrease in staff cost is mainly due to cost cutting redundancy carried out during the period.

As at 30th June 2016, the Group had 195 full time employees (31st December 2015: 318) and 655 temporary employees (31st December 2015: 911).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as those disclosed in 2015 annual report, the Group had no other material investments and capital assets during the period under review.

## **SIGNIFICANT INVESTMENTS HELD**

The Group had not made any significant investment during the period ended 2016 and 2015.

## **EVENT SINCE THE END OF THE FINANCIAL PERIOD**

As announced on 21st July 2016, the Company entered into a Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 3,700,000,000 Subscription Shares at the Subscription Price of HK\$0.16 per Subscription Share. The Company also entered into a Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed, on a fully underwritten basis, to procure not less than six Placees to subscribe for 800,000,000 Placing Shares at the Placing Price of HK\$0.16 per Placing Share. The Possible Subscription and Placing of share of the Company is still in progress up to the announcement date.

## **PROSPECTS**

For the sugar cane growing and sugar manufacturing business in Jamaica under the two factories in Monymusk and Frome region in Jamaica, the Group is currently negotiating with the government in Jamaica for the possible makeshift arrangement to take up the operation of the factory in Monymusk region from the Group by an agent representing the government of Jamaica for a one-year term in an attempt to improve the loss making situation of the Group and avoid any negative impact arising from the suspension of operation. Further announcement in respect of the formal arrangement reached, if any, will be made by the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as and when appropriate. The operation of the other factory in Frome region will not be affected by this makeshift arrangement of the factory in Monymusk region. The factory in Frome regions reminds in normal operation that accounted for 69% of total group sugar and molasses output in 2015.

For the Group's supporting services to sweetener and ethanol business segment, we foresee some pickup in the demand from our customers in African countries mainly for fixed assets procurement.

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

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30th June 2016, the Company has complied with the code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules (the "Code"), except for the following deviation: —

### **Code Provision E.1.2**

Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. Mr. Liu Xueyi, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 28th June 2016 (the "Meeting") due to another business engagement, which constitutes a deviation from the code provision E.1.2 during the period.

### **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 half of the Board members are independent non-executive and a clear division of responsibilities are in place for the running of the business of the Group. The Company remains structured to ensure appropriate segregation of duties so that power is not concentrated in any one individual.

### **Code Provision A.4.1**

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

### **Code Provision A.6.7**

Under the new 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 commitment, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, INEDs of the Company, did not attend the annual general meeting held on 28th June 2016 and, which constitutes a deviation from the code provision A.6.7 during the period.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Audit Committee comprises three independent non-executive directors has held meetings to review with management the accounting principles and practices adopted by the Group and discussing internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 30th June 2016.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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



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

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of Hong Kong Exchange and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.irasia.com/listco/hk/hualien>). The 2016 interim report of the Company will be despatched to the shareholders of the Company and will be available on both websites in due course.

By order of the Board

**Mr. Han Hong**

*Executive Director*

Hong Kong, 31st August 2016

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