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 2019

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 2019 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 2019

		Six months ended 30th June	
		2019	2018
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*(3)*	**52,218**	59,223
Cost of sales		**(40,347)**	(47,097)
Gross profit		**11,871**	12,126
Changes in fair value of biological assets	*(11)*	**3,158**	(20,252)
Other income		**2,747**	4,894
Administrative expenses		**(23,008)**	(35,136)
Change in fair value of derivative component of convertible notes		**7,450**	13,297
Other operating expenses	*(4)*	**(28,195)**	—
Finance costs	*(5)*	**(39,053)**	(48,450)
Loss before income tax expense		**(65,030)**	(73,521)
Income tax expense	*(7)*	**—**	—
Loss for the period	*(6)*	**(65,030)**	(73,521)

* *For identification only*

	Notes	Six months ended 30th June **2019** **(unaudited)** ***HK$'000***	2018 (unaudited) *HK$'000*
Loss for the period attributable to:			
Owners of the Company		**(48,222)**	(54,730)
Non-controlling interests		**(16,808)**	(18,791)
		(65,030)	(73,521)
Other comprehensive loss for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**15,580**	12,544
Total comprehensive loss for the period		**(49,450)**	(60,977)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(36,703)**	(47,008)
Non-controlling interests		**(12,747)**	(13,969)
		(49,450)	(60,977)
Loss per share	*(8)*		
— Basic (cents per share)		**(0.0220)**	(0.0250)
— Diluted (cents per share)		**(0.0220)**	(0.0250)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2019

	Notes	**30th June 2019 (unaudited)** *HK$'000*	31st December 2018 (audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*(10)*	**13,200**	13,046
Right-of-use assets	*(2b)*	**—**	—
Intangible asset		**—**	—
Total non-current assets		**13,200**	13,046
Current assets			
Biological assets — growing cane	*(11)*	**18,779**	25,921
Inventories	*(12)*	**112,592**	82,081
Trade and other receivables	*(13)*	**72,082**	78,027
Bank balances, deposits and cash		**68,144**	72,456
Total current assets		**271,597**	258,485
Total assets		**284,797**	271,531
Current liabilities			
Trade and other payables	*(14)*	**86,062**	74,640
Contract liabilities	*(2c)*	**11,552**	—
Lease liabilities		**2,012**	—
Derivative component of convertible notes		**—**	7,450
Liabilities component of convertible notes		**533,700**	526,640
Amount due to non-controlling interests		**480,469**	468,594
Total current liabilities		**1,113,795**	1,077,324
Net current liabilities		**(842,198)**	(818,839)
Total assets less current liabilities		**(828,998)**	(805,793)
Non-current liabilities			
Lease liabilities	*(2c)*	**26,245**	—
Total non-current liabilities		**26,245**	—
Net liabilities		**(855,243)**	(805,793)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves		**(926,283)**	(889,580)
Capital deficiency attributable to owners of the Company		**(707,165)**	(607,462)
Non-controlling interests		**(148,078)**	(135,331)
Total capital deficiency		**(855,243)**	(805,793)

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 2019 have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). This should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

2. CHANGE IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December 2018, except for the adoption of the following new and revised HKFRSs effective as of 1st January 2019.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, IFRIC 4, determining whether an arrangement contains a lease, SIC 15, Operating leases — incentives, and SIC 27, evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees,which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

2. CHANGE IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 Leases *(Continued)*

The Group has initially applied HKFRS 16 as from 1st January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1st January 2019. For contracts entered into before 1st January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

The Group's leasing activities as a lessee primarily relate to leasing of land and offices for use.

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to right-of-use assets.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

2. CHANGE IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 Leases *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(ii) Lessee accounting (Continued)

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. CHANGE IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 Leases *(Continued)*

(b) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1st January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.56%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31st December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments as disclosed in the 2018 annual financial statements to the opening balance for lease liabilities recognised as at 1st January 2019:

	1st January 2019 (unaudited) ***HK$'000***
Operating lease commitments at 31st December 2018	**91,843**
Less: total future interest expenses	**(63,648)**
Present value of remaining lease payments, discounted using the incremental borrowing rate and total lease liabilities recognised at 1st January 2019	**28,195**

2. CHANGE IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 Leases *(Continued)*

(b) Transitional impact *(Continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at the date of transition and at the end of the reporting period.

	Right-of-use assets (unaudited) *HK$'000*	**Lease liabilities (unaudited)** *HK$'000*
As at 1st January 2019		
Addition *	**28,195**	**28,195**
Impairment loss expense**	**(28,195)**	**—**
Interest expense	**—**	**1,029**
Exchange realignment	**—**	**(967)**
As at 30th June 2019	**—**	**28,257**

* The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities.

** Since the recoverable amount of the right of use assets is determined to be of nominal value only under the impairment test, an impairment loss for the right-of-use assets which is equal to initial recognized amount of approximately HK$28,195,000 needed to be recognised as an expense in profit or loss.

2. CHANGE IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 Leases *(Continued)*

(c) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30th June 2019		At 1st January 2019	
	Present value of the minimum lease payments (unaudited) *HK$'000*	Total minimum lease payments (unaudited) *HK$'000*	Present value of the minimum lease payments (unaudited) *HK$'000*	Total minimum lease payments (unaudited) *HK$'000*
Within 1 year	2,012	2,164	2,083	2,241
After 1 year but within 2 years	1,870	2,164	1,937	2,241
After 2 years but within 5 years	4,858	6,491	5,031	6,722
After the fifth year	19,517	80,171	19,144	81,957
	26,245	88,826	26,112	90,920
	28,257	90,990	28,195	93,161
Less: total future interest expenses		(62,733)		(64,966)
Present value of lease liabilities		28,257		28,195

(d) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1st January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the impairment loss of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

2. CHANGE IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 Leases *(Continued)*

(d) Impact on the financial result, segment results and cash flows of the Group *(Continued)*

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the cash flow statement.

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

— Supporting services to sweetener and ethanol business (the "Supporting services");

— Sugar cane growing and sugar manufacturing business (the "Sugar business"); and

— Ethanol biofuel business (the "Ethanol business").

3. **TURNOVER AND SEGMENT INFORMATION** *(Continued)*

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

	Supporting services (unaudited) *HK$'000*	Sugar business (unaudited) *HK$'000*	Ethanol business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Six months ended 30th June 2019				
Turnover				
Segment turnover	—	52,218	—	52,218
Inter-segment sales	—	—	—	—
Sales to external customers	—	52,218	—	52,218
Segment results	(7,065)	(55,207)	(852)	(63,124)
Unallocated corporate income				6,059
Finance costs				(7,965)
Loss before tax				(65,030)
At 30th June 2019				
Assets and liabilities				
Segment assets	95,878	165,899	11,062	272,839
Corporate and other unallocated assets				11,958
Total assets				284,797
Segment liabilities	55,495	549,794	—	605,289
Corporate and other unallocated liabilities				534,751
Total liabilities				1,140,040

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

	Supporting services (unaudited) *HK$'000*	Sugar business (unaudited) *HK$'000*	Ethanol business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Six months ended 30th June 2018				
Turnover				
Segment turnover	—	59,223	—	59,223
Inter-segment sales	—	—	—	—
Sales to external customers	—	59,233	—	59,223
Segment results	(2,065)	(63,882)	18	(65,929)
Unallocated corporate expenses				12,430
Finance costs				(20,022)
Loss before tax				(73,521)
At 31st December 2018				
Assets and liabilities				
Segment assets	96,304	150,814	11,177	258,295
Corporate and other unallocated assets				13,236
Total assets				271,531
Segment liabilities	49,353	492,587	—	541,940
Corporate and other unallocated liabilities				535,384
Total liabilities				1,077,324

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

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

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

— All assets are allocated to operating segment, other than certain bank balance and cash of head office.

— All liabilities are allocated to operating segments, other than accrual and other payables, derivative component of convertible notes and convertible notes of head office.

Other reportable segment information

Six months ended 30th June 2019	**Supporting services (unaudited)** *HK$'000*	**Sugar business (unaudited)** *HK$'000*	**Ethanol business (unaudited)** *HK$'000*	**Total (unaudited)** *HK$'000*
Amounts included in the measure of segment profit or loss for segment assets:				
Depreciation and amortisation	**12**	**1,264**	**2**	**1,278**
Impairment loss on right-of-use assets	**—**	**28,195**	**—**	**28,195**

Six months ended 30th June 2018	Supporting services (unaudited) *HK$'000*	Sugar business (unaudited) *HK$'000*	Ethanol business (unaudited) *HK$'000*	Total (unaudited) *HK$'000*
Amounts included in the measure of segment profit or loss for segment assets:				
Depreciation and amortisation	12	2,187	2	2,201

3. **TURNOVER AND SEGMENT INFORMATION** *(Continued)*

Geographic Information

Revenue from external customers

	Six months ended 30th June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Jamaica	**37,574**	41,659
United States	**13,753**	16,496
Caribbean Countries	**891**	1,068
	52,218	59,223

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

Non-current assets

	30th June	31st December
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
African Countries	**16**	19
Jamaica	**13,110**	12,943
People's Republic of China	**74**	84
	13,200	13,046

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

4. OTHER OPERATING EXPENSES

	Six months ended 30th June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Impairment loss on right-of-use assets *(Note 2b)*	**28,195**	—

5. FINANCE COSTS

	Six months ended 30th June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Interest on:		
— Amounts due to non-controlling interests	**12,715**	11,908
— Borrowing	**—**	12
— Convertible notes	**7,060**	22,116
— Lease liabilities *(Note 2b)*	**1,029**	—
Net exchange losses on borrowings	**18,249**	14,414
Total borrowing costs	**39,053**	48,450
Less: amount capitalized in the cost of qualifying assets	**—**	—
	39,053	48,450

6. LOSS FOR THE PERIOD

	Six months ended 30th June	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**1,278**	2,201

7. INCOME TAX EXPENSE

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

8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the period attributable to equity holders of the Company of approximately HK$48,222,000 (six months ended 30th June 2018: approximately HK$54,730,000), and the weighted average number of 2,191,180,000 (30th June 2018: 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 2019 and 30th June 2018 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 2019 (six months ended 30th June 2018: Nil).

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$1,833,000 (six months ended 30th June 2018: approximately HK$1,497,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

	30th June 2019 (unaudited)	31st December 2018 (audited)
	HK$'000	*HK$'000*
Opening balance	**25,921**	26,306
Cane cultivation cost capitalised	**25,474**	31,237
Decrease in fair value of cane harvested	**(34,977)**	(38,326)
Change in fair value	**3,158**	7,162
Exchange realignment	**(797)**	(458)
Carrying value at end of the period	**18,779**	25,921

The increase in fair value of growing cane for the period ended of approximately HK$3,158,000 (six months ended 30th June 2018: the decrease in fair value of growing cane of approximately HK$20,252,000) is reflected in the profit or loss.

12. INVENTORIES

	30th June 2019 (unaudited) *HK$'000*	31st December 2018 (audited) *HK$'000*
Consumables and components	**54,766**	56,601
Goods in transit	**17**	18
Sugar and molasses *	**57.809**	25,462
Carrying value at end of the period	**112,592**	82,081

* At 30th June 2019, the sugar and molasses consisted of 16,091 tonnes (31st December 2018: 5,732 tonnes) of raw sugar costing approximately HK$57,507,000 (31st December 2018: approximately HK$25,035,000) and 519 tonnes (31st December 2018: 463 tonnes) of molasses costing approximately HK$302,000 (31st December 2018: approximately HK$427,000).

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of approximately HK$66,174,000 (31st December 2018: approximately HK$72,954,000).

The Group allows a credit period of 365 days (31st December 2018: 365 days) to its trade customers of supporting services of sweetener and ethanol business, 0 to 30 days (31st December 2018: 0 to 30 days) to trade customers of raw sugar trading and 15 days (31st December 2018: 15 days) credit period for advance payment payable on basis of estimated production output at start of production and 60 days (31st December 2018: 60 days) credit period are granted for the shortfall after the amount of advance payment set off at end of production to trade customers of molasses trading in Jamaica. The following is an aging analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	30th June 2019 (unaudited) *HK$'000*	31st December 2018 (audited) *HK$'000*
0 - 30 days	**834**	9,318
31 - 60 days	**802**	175
61 - 90 days	**1,622**	57
91 - 365 days	**3,167**	2,042
> 365 days	**59,749**	61,362
	66,174	72,954

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	30th June 2019 (unaudited)	31st December 2018 (audited)
	HK$'000	*HK$'000*
Balance of allowance for doubtful debts of trade receivables	**40,114**	40,114

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$12,239,000 (31st December 2018: approximately HK$15,667,000).

Credit period granted by trade creditors of supporting services of sweetener and ethanol business is 365 days (31st December 2018: 365 days) while credit period granted by trade creditors of sugar business in Jamaica external suppliers is from zero to 30 days (31st December 2018: zero to 30 days).

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

	30th June 2019 (unaudited)	31st December 2018 (audited)
	HK$'000	*HK$'000*
Not yet due	**359**	2,428
Overdue 1 - 90 days	**1,097**	5,479
Overdue 91 - 180 days	**2,338**	2,204
Overdue 181 - 365 days	**4,990**	2,490
Overdue > 365 days	**3,455**	3,066
	12,239	15,667

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the six months ended 30th June 2019, the turnover of the Group decreased by approximately 11.8% to approximately HK$52.2 million (six months ended 30th June 2018: approximately HK59.2 million).

The amount of overall gross profit decreased by approximately HK$0.2 million to approximately HK$11.9 million (six months ended 30th June 2018: approximately HK$12.1 million) and the overall gross profit percentage increased by about 2.2% to approximately 22.7% (six months ended 30th June 2018: approximately 20.5%). The decrease in amount of overall gross profit was mainly due to the decrease in turnover.

The loss for the period decreased by approximately HK$8.5 million to approximately HK$65.0 million (six months ended 30th June 2018: approximately HK$73.5 million). The decrease in loss before taxation of approximately HK$8.5 million was mainly due to net effect of the positive impacts of (i) the decrease in loss on changes in fair value of biological assets of approximately HK$23.4 million; (ii) the decrease in administrative expense of approximately HK$12.1 million; and (iii) the decrease in finance cost of approximately HK$9.4 million as well as the negative impacts of (i) the decrease in gain in fair value of derivative component of convertible notes of approximately HK$5.8 million; and (ii) the increase in other expense of impairment loss of the right-of-use assets of approximately HK$28.2 million, comparing with that of the same period last year.

Basic loss per share for the period was HK2.20 cents (six months ended 30th June 2018: approximately HK2.50 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2019 (six months ended 30th June 2018: HK$ Nil).

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica

Business review

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

For the turnover, Joyful Right Group recorded a turnover of approximately J$871.8 million (approximately HK$52.2 million) for the six months ended 30th June 2019 (six months ended 30th June 2018: approximately J$953.7 million (approximately HK$59.2 million)). Joyful Right Group sold approximately 7,400 tonnes of raw sugar and approximately 12,500 tonnes of molasses for the six months ended 30th June 2019 compared with approximately 7,900 tonnes of raw sugar and approximately 19,800 tonnes of molasses for the same period last year. The decrease in sales of raw sugar of approximately 500 tonnes and molasses of approximately 7,300 tonnes, which decreased by approximately 6.3% and 36.9% respectively, was mainly due to the suspension of the Monymusk Sugar Factory during the period.

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

	Six months ended 30th June					
	2019			2018		
	J$'million	***HK$'million***	***% of Turnover***	*J$'Million*	*HK$'million*	*% of Turnover*
By region						
Jamaica	**627.3**	**37.6**	**72.0**	670.9	41.7	70.3
United States	**227.2**	**13.7**	**26.3**	265.6	16.4	27.9
Caribbean Countries	**17.3**	**0.9**	**1.7**	17.2	1.1	1.8
	871.8	**52.2**	**100.0**	953.7	59.2	100.0

As shown in above table, Jamaica remains the principal market for Joyful Right Group. The local sales in Jamaica accounted for approximately 72.0% (six months ended 30th June 2018: approximately 70.3%) of total sales and the export to United States and Caribbean Countries accounted for remaining approximately 28.0% (six months ended 30th June 2018: approximately 29.7%). 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. The export to United States and Caribbean Countries during the period remained in a similar proportion with correspondent period of last year.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J$198.2 million (approximately HK$11.9 million) for the six months ended 30th June 2019 (six months ended 30th June 2018: approximately J$195.3 million (approximately HK$12.1 million)). The decrease in amount of gross profit of approximately J$2.9 million (approximately HK$0.2 million), which decreased by approximately 2.1%, was mainly due to the approximately 6.3% and 36.9% decreased in sales of raw sugar and molasses respectively during the period. The gross profit ratio is increased by approximately 2.3% to approximately 22.7% for the six months ended 30th June 2019 compared with approximately 20.5% for the same period last year. The approximately 2.1% increase in gross profit percentage during the period was mainly due to the increase in average price of raw sugar by approximately 11.2% and of molasses by approximately 3.6% during the period.

In terms of net operation results, the Joyful Right Group recorded a net loss of approximately J$930.6 million (approximately HK$55.2 million) for the six months ended 30th June 2019 (six months ended 30th June 2018: approximately J$1,008.7 million (approximately HK$63.9 million)). The approximately J$78.1 million (approximately HK$4.7 million) decrease in net loss was mainly due to (i) an approximately J$378.8 million (approximately HK$23.4 million) increase in fair value loss on biological assets mainly for reason of the increase in estimated sugar cane price by approximately J$600 (approximately HK$36), which was approximately 20.2%, per tonnes as at 30th June 2019 due to the improvement in average raw sugar 11.2% during the period; and (ii) the decrease in administration expense by approximately J$228.9 million (approximately HK$14.8 million) resulting from the cost saving from the suspension of the Monymusk Sugar Factory.

Supporting services to sweetener and ethanol business

Business review

The turnover from customers outside the Group for the six months ended 30th June 2019 was HK$ Nil (six months ended 30th June 2018: HK$ Nil). The reason for no revenue during the six months ended 30th June 2019 was because the three years annual cap for the continuing connected transactions from 2019 to 2021 was voted down by independent shareholders on extraordinary general meeting held on 31 May 2019. The supporting service business segment cannot carry out any continuing connected transaction with its customers who presently are all connected parties, therefore, the supporting service business segment does not record any segment revenue during the six months ended 30th June 2019.

The gross profit for the six months ended 30th June 2019 was also HK$ Nil (six months ended 30th June 2018: HK$ Nil). The gross profit ratio after elimination of inter-segment sales was Nil (six months ended 30th June 2018: Nil). There was no gross profit because of no turnover from customers outside the Group as explained above.

The operating loss of this segment for the six months ended 30th June 2019 was of approximately HK$7.1 million (six months ended 30th June 2018: operating profit of approximately HK$2.1 million). The increase of approximately HK$5.0 million was mainly due to an adjustment made for the reversal of the over-provision of staff bonus cost in previous years during 2018 but no such kind of adjustment during 2019.

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 2019 of approximately HK$0.9 million (six month ended 30th June 2018: operating profit of approximately HK$18,000) was mainly relating to the net effect of exchange loss and administration expenses by a subsidiary of the Group for the period.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 30th June 2019, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (31st December 2018: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2019 amounts to approximately HK$855.2 million (31st December 2018: approximately HK$805.8 million).

Borrowings

As at 30th June 2019, the Group's total borrowings that consisted of the liability components of convertible notes, the current portion of amounts due to non-controlling interests and lease liabilities was of approximately HK$1,042.5 million (31st December 2018: approximately HK$995.2 million), of which an approximately HK$480.5 million (31st December 2018: approximately HK$468.6 million) was the current portion of amount due to non-controlling interests, an approximately HK$533.7 million (31st December 2018: approximately HK$526.6 million) was the outstanding five-year zero-coupon Hong Kong-dollar liability components of convertible notes and an approximately HK$28.3 million (31st December 2018: HK$ Nil) of lease liabilities.

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

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

Gearing

As at 30th June 2019 and 31st December 2018, the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$707.2 million and of approximately HK$607.5 million respectively, the calculation of gearing ratio as at 30th June 2019 and 31st December 2018 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 30th June 2019 amounted to approximately HK$68.1 million (31st December 2018: approximately HK$72.5 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 approximately HK$4.2 million decrease in cash and cash equivalents was brought by the below net effect (i) the net cash from operation of approximately HK$9.1 million; (ii) the net cash used in investing activities of approximately HK$1.8 million mainly used for acquisition of fixed assets; (iii) the net cash from financing activities of approximately HK$7.4 million mainly increase of amounts due to non-controlling interests; and (iv) negative net effect of exchange rate change on cash and cash equivalents of approximately HK$18.9 million.

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

Treasury Policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2019.

Foreign Exchange Exposure

The Group's operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2019, 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 2019 and 31st December 2018, (i) a bank deposit of a subsidiary of approximately J$21.2 million (approximately HK$1.3 million) (31st December 2018: approximately J$21.2 million (approximately HK$1.3 million)) was pledged by a subsidiary of the Group to secure against its bank guarantee of J$20.0 million (approximately HK$1.2 million) in Jamaica as at 30th June 2019 and 31st December 2018 of J$20.0 million (approximately HK$1.2 million), which attracts interest at 3.5% for the period ended 30th June 2019 (30th June 2018: 3.5%).

Capital Commitment

As at 30th June 2019, 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$25.2 million (six months ended 30th June 2018: approximately HK$$35.5 million), of which, approximately HK$19.2 million (six months ended 30th June 2018: approximately HK$31.5 million) was the total staff cost expense in sugar cane growing and sugar manufacturing business in Jamaica. The decrease in staff cost is mainly due to the suspension of the Monymusk Sugar Factory during the period.

As at 30th June 2019, the Group had 96 full time employees (31st December 2018: 179) and 459 temporary employees (31st December 2018: 395).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

SIGNIFICANT INVESTMENTS HELD

The Group had not made any significant investment during the period ended 2019 and 2018.

PROSPECTS

For the Group Sugar Cane Growing and Sugar Manufacturing Segment, it will sustain and operate a sufficient level of operation for the group even though the full year revenue will still lower than that of 2018 which was mainly brought by the suspension of the Monymusk Sugar Factory in 2019 onwards. Active steps attempting to boost the revenue and to preserve working capital have been implemented in second half of the year, including the export of raw sugar to European Countries.

Turning to the Group's supporting services to sweetener and ethanol business segment, the Board is considering to start new trading business with independent third parties using a new subsidiary established in the PRC. On the other hand, the Board believes that the continuing connected transactions is beneficial to the operation of the Company and the result of voting at the extraordinary general meeting held on 31 May 2019 may be due to the insufficient communication between the Board and the Independent Shareholders. The Board will consider the possibility of proposing the continuing connected transactions again and seeking the approval from the independent shareholders for the renewal of the continuing connected transactions in the future when circumstance fits.

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 2019, 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 and targets to purchase the relevant liability insurance for Directors within 2019.

Code Provision A.2.1 and 2.4

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

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

Code Provision A.4.1

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

Code Provision A.6.7

Under the code provision A.6.7, independent non-executive Directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and development a balanced understanding of the views of shareholders. Due to other business engagements, the independent non-executive directors of Mr. Cheng Tai Kwan Sunny and Dr. Lu Heng Henry did not attend the extraordinary general meeting held on 31st May 2019 and Mr. Shi Zhu and Dr. Lu Heng Henry did not attend the annual general meeting held on 28th June 2019.

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 28th June 2019 due to another business engagement.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the unaudited consolidated interim financial statements for the six months ended 30th June 2019. The audit committee is of the view that the interim results for the six months ended 30th June 2019 was prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited consolidated interim financial statements for the six months ended 30th June 2019 was also approved by the Board on 30th August 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchange and Clearing Limited (www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/hualien). The 2019 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
Hua Lien International (Holding) Company Limited
Liu Yan
Chairman

Hong Kong, 30th August 2019

As at the date of this announcement, the board of directors 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.