HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED
華聯國際(控股)有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31st DECEMBER 2019

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2019, together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Revenue	(3)	**135,534**	134,490
Cost of sales		**(129,317)**	(143,484)
Gross profit/(loss)		**6,217**	(8,994)
Changes in fair value of biological assets	(11)	**1,670**	7,162
Other income		**6,094**	8,291
Administrative expenses		**(41,925)**	(71,248)
Change in fair value of derivative component of convertible notes		**7,450**	43,876
Other operating expenses	(4)	**(40,464)**	(98)
Finance costs	(5)	**(59,325)**	(72,151)
Loss before income taxation expense		**(120,283)**	(93,162)
Income tax expense	(7)	**—**	—
Loss for the year	(6)	**(120,283)**	(93,162)

* *For identification purposes only*

	Notes	2019 HK$'000	2018 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(91,875)**	(70,911)
Non-controlling interests		**(28,408)**	(22,251)
		(120,283)	(93,162)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**20,415**	4,335
Total comprehensive loss for the year		**(99,868)**	(88,827)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(76,119)**	(68,371)
Non-controlling interests		**(23,749)**	(20,456)
		(99,868)	(88,827)
Dividend	*(9)*	**—**	—
Loss per share	*(8)*		
— Basic (cents per share)		**(4.19)**	(3.24)
— Diluted (cents per share)		**(4.19)**	(3.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	(10)	**11,244**	13,046
Right-of -use asset		**—**	—
Intangible asset		**—**	—
		11,244	13,046
Current assets			
Biological assets — growing cane	(11)	**27,240**	25,921
Inventories		**56,181**	82,081
Trade and other receivables	(12)	**52,798**	78,027
Bank balances, deposits and cash		**63,759**	72,456
Total current assets		**199,978**	258,485
Total assets		**211,222**	271,531
Current liabilities			
Trade and other payables	(13)	**596,994**	74,640
Contract liabilities		**830**	—
Lease liabilities		**1,864**	—
Derivative component of convertible notes		**—**	7,450
Liabilities component of convertible notes		**—**	526,640
Amounts due to non-controlling interests		**492,027**	468,594
Total current liabilities		**1,091,715**	1,077,324
Net current liabilities		**(891,737)**	(818,839)
Total assets less current liabilities		**(880,493)**	(805,793)
Non-current liability			
Lease liabilities		**25,168**	—
Net liabilities		**(905,661)**	(805,793)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves		**(965,699)**	(889,580)
Capital deficiency attributable to owners of the Company		**(746,581)**	(670,462)
Non-controlling interests		**(159,080)**	(135,331)
Total capital deficiency		**(905,661)**	(805,793)

NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Going concern basis

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

Going concern basis

The consolidated financial statements have been prepared on a going concern basis even though the Group incurred a consolidated net loss of HK$120,283,000 (2018: HK$93,162,000) and had net cash used in operating activities of HK$458,000 (2018: HK$53,293,000) and, as at 31st December 2019, the Group had net current liabilities and net liabilities of HK$891,737,000 (2018: HK$818,839,000) and HK$905,661,000 (2018: HK$805,793,000) respectively.

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

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

— Complant Sugar has undertaken to provide continuing financial support, including not to recall the amount due to them of HK$492,027,000 until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Group as a going concern;

— The directors have evaluated all the relevant facts available to them and are of the opinion that the Group is improving its liquidity by reducing the cash outflow from its operations in the form of (i) taking measures tighten cost controls over administrative and other operating expenses; and (ii) monitoring the repair and maintenance of the Sugar business segment in order to reduce cash outlay for unnecessary factory overhauls and unexpected capital cash outflow for asset replacement during the year ended 31st December 2019;

1. **BASIS OF PREPARATION** *(Continued)*

Going concern basis *(Continued)*

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

— The Group has budgeted and laid out its business plan for the next twelve months, and seeks to reduce its loss and reducing cash flows from operation. The Group is actively monitoring the production activities to fulfill the forecast production volume and meet sales forecast.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31st December 2019 on a going concern basis. Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year

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

Except as described below, the application of the other new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases"

A. Definition of a lease

Previously, the Group identified leases in accordance with HKAS 17 and HK(IFRIC)-INT 4 Determining Whether an Arrangement contains a Lease. The Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-INT 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1st January 2019.

B. As a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term of 12 months or less. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

B. As a lessee (Continued)

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease. The Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

B. As a lessee (Continued)

Lease liability *(Continued)*

The lease payments include: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

C. As a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these consolidated financial statements.

D. Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1st January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

D. Transition (Continued)

The Group has recognised the lease liabilities at the date of 1st January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1st January 2019.

The Group has elected to recognise all the right-of-use assets at 1st January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1st January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1st January 2019) and accounted for those leases as short-term leases; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1st January 2019 and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-INT 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-INT 4.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

E. Impact on transition

The table below summaries the impact on the adoption of HKFRS 16:

	HKAS 17 Carrying amount 31st December 2018	**HKFRS 16 Capitalisation of operating lease contracts**	**Carrying amount 1st January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Right-of-use asset	–	28,195	28,195
Liabilities			
Lease liabilities	–	28,195	28,195

The table below explains the differences between the operating lease commitments disclosed at 31st December 2018 by applying HKAS 17 and the lease liabilities at the date of initial application at 1st January 2019 by applying HKFRS 16:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments at 31st December 2018	91,843
Less: future interest expenses	(63,648)
Lease liabilities recognised as at 1st January 2019	28,195

The weighted average lessee's incremental borrowing rate at 1st January 2019 was 7.56%.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

F. Impacts for the year

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the group's financial result and cash flows for the year ended 31st December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16.

	Amounts reported under HKFRS 16	Add back: HKFRS 16 additional impairment loss and interest	Deduct: Estimated rental payment related to operating leases under HKAS 17	Hypothetical amounts under HKAS 17
	HK$'000	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*
Financial result for the year ended 31st December 2019 impacted by the adoption of HKFRS 16:				
Loss from operations	(60,958)	28,195	(2,131)	(34,894)
Finance costs	(59,325)	2,039	–	(57,286)
Loss before income tax	(120,283)	30,234	(2,131)	(92,180)
Loss for the year	(120,283)	30,234	(2,131)	(92,180)

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

***HKFRS 16 "Leases"** (Continued)*

F. Impacts for the year (Continued)

	Amounts reported under HKFRS 16	Deduct: Estimated rental payment related to operating leases under HKAS 17	Hypothetical amounts under HKAS 17
	HK$'000	*HK$'000* *(Note 2)*	*HK$'000*
Line items in the consolidated statement of cash flows for the year ended 31st December 2019 impacted by the adoption of HKFRS 16:			
Net cash used in operating activities	(458)	(2,131)	(2,589)
Net cash used in finance activities	(2,131)	2,131	–

Note 1: The "estimated rental related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored due to immaterial.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised lease liabilities of approximately HK$27,032,000 as at 31st December 2019.

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

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

HKFRS 16 "Leases" *(Continued)*

F. Impacts for the year (Continued)

Also in relation to those leases under HKFRS 16, the Group has recognised additional impairment loss and interest costs, instead of operating lease expense. During the year ended 31st December 2019, the Group recognised additional impairment loss of HK$28,195,000 and additional interest costs of HK$2,039,000 from these leases. In contrast, rental expenses decreased by HK$2,131,000.

The following are the changes in carrying amounts of the Group's right-of-use asset and related lease liabilities during the year:

	Right-of-use asset Leasehold land	**Lease liabilities**
	HK$'000	*HK$'000*
At 1st January 2019	28,195	28,195
Impairment loss	(28,195)	–
Interest	–	2,039
Payments of lease liabilities	–	(2,131)
Exchange realignment	–	(1,071)
At 31st December 2019	–	27,032

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1st January 2020

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

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

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

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sale of goods, which recognises at a point in time, during the year.

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

	Supporting services *HK$'000*	Sugar business *HK$'000*	Ethanol business *HK$'000*	Total *HK$'000*
Year ended 31st December 2018				
Revenue				
Segment revenue	—	134,490	—	134,490
Inter-segment sales	—	—	—	—
Sales to external customers	—	134,490	—	134,490
Segment results	(18,066)	(75,466)	2,068	(91,464)
Unallocated corporate income				41,172
Finance costs				(42,870)
Loss before income tax				(93,162)
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 results represents the results of each segment without allocation of central administration costs, directors' remuneration, interest income and finance costs. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

Other reportable segment information

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

Year ended 31st December 2018	Supporting services	Sugar business	Ethanol business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results for segment assets:				
Depreciation and amortisation	25	2,665	4	2,694
Impairment loss on property, plant and equipment	—	98	—	98

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
Jamaica	**99,373**	96,262
U.S.A.	**16,787**	16,977
The People's Republic of China (the "PRC")	**10,442**	—
European countries	**7,916**	21,251
Caribbean countries	**1,016**	—
	135,534	134,490

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

Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Jamaica	**11,166**	12,943
PRC	**64**	84
African countries	**14**	19
	11,244	13,046

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

4. OTHER OPERATING EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Impairment loss on right-of-use asset	**28,195**	—
Impairment loss on property, plant and equipment	**1,755**	98
Impairment loss on trade receivables	**10,514**	—
	40,464	98

5. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on amounts due to non-controlling interests	**25,611**	23,636
Imputed interest expenses on convertible notes	**7,060**	43,900
Interest on lease liabilities	**2,039**	—
Interest on other borrowings	**—**	247
Exchange loss on borrowings	**24,615**	4,368
	59,325	72,151

6. LOSS FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Loss on disposal of property, plant and equipment	**1**	34
Depreciation of property, plant and equipment	**2,732**	2,694
Write-down of inventories	**20,711**	—
Total minimum lease payments for lease previously classified as operating leases under HKAS 17	**—**	2,897
Short-term leases expenses	**555**	—

7. INCOME TAX EXPENSE

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

8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the year attributable to equity holders of the Company of approximately HK$91,875,000 (2018: approximately HK$70,911,000), and the weighted average number of 2,191,180,000 (2018: 2,191,180,000) ordinary shares in issue during the year.

No adjustment has been made to the loss per share presented for the years ended 31st December 2019 as the convertible notes had expired on 27th February 2019. No adjustment has been made to the loss per share presented for the year ended 31st December 2018 in respect of dilution as the impacts of the convertible notes outstanding had an anti-dilutive effect on the loss per share accounts presented.

9. DIVIDEND

The Board does not recommend the payment of a dividend for the years ended 31st December 2019 and 2018.

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$3,185,000 (2018: approximately HK$2,233,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

Growing Cane

	2019	2018
	HK$'000	*HK$'000*
Opening balance	**25,921**	26,306
Cane cultivation cost capitalised	**47,560**	31,237
Decrease in fair value of cane harvested	**(46,932)**	(38,326)
Change in fair value	**1,670**	7,162
Exchange realignment	**(979)**	(458)
Closing balance	**27,240**	25,921

The increase in fair value of growing cane for the year ended of approximately HK$1,670,000 (2018: approximately HK$7,162,000) is reflected in the consolidated statements of profit or loss.

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**98,736**	113,068
Less: Impairment loss	**(50,628)**	(40,114)
	48,108	72,954
Prepayments	**4,206**	3,851
Other receivables and deposits	**484**	1,222
	52,798	78,027

The Group does not hold any collateral over these balances.

12. TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows a credit period of 90-365 days (2018: 365 days) to its customers of supporting services of sweetener and ethanol business, 30 days (2018: 30 days) to customers of raw sugar trading and 60 days (2018: 60 days) to customers of molasses trading. The following is an ageing analysis of trade receivables presented based on the invoice date and prior to impairment loss at the end of the reporting period are as follows:

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**2,122**	9,318
31-60 days	**55**	175
61-90 days	**11,310**	57
91-365 days	**5,661**	2,042
> 365 days	**79,588**	101,476
	98,736	113,068

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

Trade receivables are due within 90-365 days, 30 days and 60 days from the date of billing for customers of supporting services of sweetener and ethanol business, raw sugar trading and molasses trading respectively.

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**24,150**	15,667
Other payables and accrued liabilities	**572,844**	58,973
	596,994	74,640

Trade payables credit period granted by trade creditors of supporting services of sweetener and ethanol business is 0-365 day (2018: 365 days) while credit period granted by trade creditors of sugar business is 30 days (2018: 30 days).

13. TRADE AND OTHER PAYABLES *(Continued)*

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

	2019	2018
	HK$'000	*HK$'000*
Not yet due	**726**	2,428
Overdue 1-90 days	**5,753**	5,479
Overdue 91-180 days	**273**	2,204
Overdue 181-365 days	**6,454**	2,490
Overdue > 365 days	**10,944**	3,066
	24,150	15,667

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

As at 31 December 2019, included in other payables and accrued liabilities of HK$533,700,000 which represented amount due to Complant Sugar upon the maturity of the convertible notes on 27th February 2019. The amount due was unsecured, interest-free and repayment on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the year ended 31st December 2019, the revenue of the Group increased by approximately 0.8% to approximately HK$135.5 million (2018: approximately HK$134.5 million). The moderate increase in revenue of approximately HK$1.0 million in year 2019 was caused by the approximately HK$10.4 million increase in revenue from the supporting service business segment and the approximately HK$9.4 million decrease in revenue from the sugar business segment.

The gross loss of approximately HK$9.0 million in year 2018 became gross profit of approximately HK$6.2 million in year 2019 for reason of an increase of approximately HK$15.2 million in gross profit. The gross loss percentage of approximately 6.7% in year 2018 became gross profit percentage of approximately 4.6% in year 2019 due to an increase in gross profit percentage of approximately 11.3%. As further elaborated below, the increase in gross profit was mainly due to the increase of average selling prices of the sugar business segment.

The loss before taxation increased by approximately HK$27.1 million to approximately HK$120.3 million (2018: approximately HK$93.2 million). The increase in loss before taxation was mainly due to net effect of the positive impacts which included (i) the increase of gross profit of approximately HK$15.2 million; (ii) the decrease of administrative expense of approximately HK$29.3 million; and (iii) the decrease of finance expense of approximately HK$12.8 million, as well as the negative impacts which included (iv) the decrease in gain from change in fair value of biological assets of approximately HK$5.5 million; (v) the decrease in other income of approximately HK$2.2 million; (vi) the decrease in gain from change in fair value of derivative component of convertible notes of approximately HK$36.4 million; and (vii) the increase in other operating expenses of approximately HK$40.4 million.

Basic loss per share for the year was approximately HK4.19 cents (2018: approximately HK3.24 cents).

The directors do not recommend the payment of a dividend for the year ended 31st December 2019 (2018: nil).

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica

Business review

The Joyful Right Limited is the holding company of Pan-Caribbean Sugar Company Limited ("PCSC") which has operated the three sugar estates, namely Bernard Lodge Sugar Estate, Monymusk Sugar Estate and Frome Sugar Estate and two sugar factories, namely Monymusk Sugar Fatory and Frome Sugar Factory in Jamaica since 15th August 2011, a 70% indirectly owned subsidiary of the Company, together called "Joyful Right Group". Due to the severe business environment for the sugar cane growing and sugar manufacturing business in Jamaica, the Group has suspended certain agricultural and factory operations that are under serious loss since June 2016, which include two sugar estates of Bernard Lodge Sugar Estate and Monymusk Sugar Estate as well as one sugar factory of Monymusk Sugar Factory. Joyful Right Group resumed the operation of Monymusk Sugar Factory in year 2018 and suspended again the operation in year 2019 and continues to operate the Frome Sugar Estate and Frome Sugar Factory. The following analysis of sugar cane growing and sugar manufacturing business in Jamaica is based on Joyful Right Group.

For the revenue, Joyful Right Group recorded a revenue of approximately J$2.1 billion for year 2019 (approximately HK$125.1 million) (2018: approximately J$2.2 billion for year 2018 (approximately HK$134.5 million)). The revenue from the sugar business segment experienced a moderate drop of approximately J$0.1 billion (approximately HK$9.4 million) for the year ended 31st December 2019. The sales volume of raw sugar and molasses was decreased approximately by 5,900 tonnes of sugar (about 22.9%) and approximately 7,600 tonnes of molasses (about 35.4%) respectively as compared with that in 2018 for reason of the suspension of the operation of Monymusk Sugar Factory in year 2019. Joyful Right Group produced approximately 18,700 tonnes of raw sugar and approximately 15,200 tonnes of molasses in year 2019 by crushing input of sugar cane input of approximately 288,000 tonnes compared with approximately 28,400 tonnes of raw sugar and approximately 21,300 tonnes of molasses in 2018 by crushing input of sugar cane of approximately 397,200 tonnes. As further elaborated below, the effect of the decrease in sales volume was neutralized by the increase in the average selling price of raw sugar and molasses of approximately 32.0% and approximately 3.7% respectively in year 2019, resulting in the revenue of the sugar business segment just slightly decreased by approximately J$0.1 billion (approximately HK$9.4 million) in year 2019.

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

	2019			2018		
	J\$'million	***HK\$'million***	***% of Revenue***	*J\$' million*	*HK\$'million*	*% of Revenue*
By region						
Jamaica	**1,692.9**	**99.4**	**79.5**	1,580.7	96.3	71.6
U.S.A.	**285.9**	**16.8**	**13.4**	278.8	17.0	12.6
European countries	**134.9**	**7.9**	**6.3**	348.9	21.2	15.8
Caribbean countries	**17.3**	**1.0**	**0.8**	—	—	—
	2,131.0	**125.1**	**100.0**	2,208.4	134.5	100.0

In year 2019, Joyful Right Group increased the domestic sales in Jamaica from approximately 71.6% to approximately 79.5% and decreased the overseas sales from approximately 28.4% to approximately 20.5%. In context of expressed as tonnes, the domestic sales showed an increase of 327 tonnes of sugar in Jamaica and the overseas sales showed a net decrease of 6,257 tonnes of sugar (which composed of an increase in sales of 446 tonnes of raw sugar to U.S.A, an increase of 350 tonnes in sales of raw sugar to Caribbean Countries and a decrease of 7,053 tonnes in sales of raw sugar to European countries). The change in sales mix was mainly due to the improvement of in selling price and demand volume is higher in domestic sales in Jamaica which contributed by the effect of Jamaican government in crackdown on sugar smuggling in Jamaica which increased the demand for domestic producers and pushed the domestic sugar prices up. As a result, PCSC decreased the overseas to domestic sales ratio from approximately 30 : 70 in 2018 to approximately 20 : 80 in year 2019.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J\$104.4 million (approximately HK\$6.1 million) (2018: gross loss of approximately J\$147.7 million (approximately HK\$9.0 million)).

The gross loss percentage of approximately 6.7% in year 2018 became gross profit percentage of approximately 4.9% in year 2019 due to an increase in gross profit percentage of approximately 11.6%. The increase in gross profit ratio in year 2019 was mainly due to the increase in average selling prices of raw sugar and molasse of approximately 32.0% and approximately 3.7% respectively. The average selling price for raw sugar and molasses in year 2019 was approximately J$95,700 (approximately HK$5,600) and approximately J$16,000 (approximately HK$937) per tonne respectively compared with approximately J$72,500 (approximately HK$4,416) and approximately J$15,400 (approximately HK$938) in year 2018. The approximately 32.0% increase in average selling price of raw sugar was driven up by approximately 14.3% increase in average selling price in domestic market and by approximately 18.7% increase in average selling price in overseas markets. The approximately 14.3% improvement in domestic selling price of was driven up by effect of crackdown of sugar smuggling in Jamaica and the increase of sales mix of higher price 20kg small-pack sugar from approximately 10.2% of total sales to approximately 35.9% in year 2019. The increase in sales of higher price product of 20kg small-pack sugar of approximately 3,800 tonnes was resulting from the effect of the Joyful Right Group to reduce the packaging backlog by the installation of new automation 20kg small-pack sugar packaging line. The approximately 18.7% improvement in average overseas selling price was driven up by the increase in selling price in overseas markets in year 2019 due to the global market will record a deficit of nearly 5 million tonnes of sugar in the 2019/20 crushing season as shown from figures of International Sugar Organization (ISO) and consequently the international sugar price was improved in year 2019.

In terms of net operation results, this segment recorded net loss of approximately HK$92.5 million (2018: approximately HK$75.5 million). The increase in net loss of HK$17.0 million was mainly attributable to the positive effect of improvement in gross profit of HK$15.1 million and the negative impact of increase in other operating expenses of approximately HK$29.9 million (which composed of the impairment loss for right-of-use asset of approximately HK$28.2 million, which is equal to initial recognized amount, needed to be recognised as an expense in profit or loss upon the adoption of new HKFRS 16 and the impairment loss of bearer plants of approximately HK$1.7 million).

Ethanol Biofuel Business in Benin

Business review

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

The ethanol operation in Benin is operated by Compagnie Beninoise De Bioenergie SA ("CBB"), a company incorporated under the Republic of Benin with limited liability and is a 90% indirectly owned subsidiary of the Company. The construction of ethanol plant of CBB continues to suspend during the year because Benin Government is still unable to execute the Leased Land provision in the Cooperation Agreement and Leased Land is still unavailable for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol. Construction works were still under suspension pending for appropriate alternate business plan. In current year, the Board considered that the likelihood to resume the construction in near future is still extremely remote as the Group still cannot figure out how to obtain sufficient raw materials under the situation Leased Land is not made available by the Benin Government. In light of the expected prolonged suspension of the construction of ethanol biofuel plant in the Republic of Benin, there is no sight of increase in the recoverable amount, which is the higher of value in use and fair value less costs of disposal during the year. As full provision of impairment loss has been made for the construction in progress, inventories and value-added tax recoverable; there is no additional impairment loss in year 2019.

In terms of net operation results, this segment recorded net loss of approximately HK$1.4 million (2018: net profit of approximately HK$2.1 million). The net loss in year 2019 was mainly related to the foreign exchange loss incurred.

Supporting services to sweetener and ethanol business

Business review

The supporting service business segment recorded revenue of approximately HK$10.4 million in year 2019 (2018: HK$ nil). The business of the supporting service business segment was seriously hindered by proposed resolution in respect of the renewal of the continuing connected transactions in relation to the 2019-2021 supply agreements with customers and supplier was voted down by the independent shareholders at the extraordinary general meeting held on 31st May 2019. Therefore, the supporting service business segment cannot carry out any continuing connected transactions with connected parties. In order to mitigate this negative impact, the supporting service business segment has incorporated a new subsidiary in the PRC, Zheng Cheng International Trade (Guangzhou) Limited ("Zheng Cheng"), in February 2019 to carry out supporting services to sweetener and ethanol business with independent customers in the PRC and recorded a revenue with independent customers of approximately HK$10.4 million during year 2019.

The gross profit ratio of new supporting service business segment with independent customers in the PRC was only approximately 0.9% in year 2019. The low gross profit was caused by the demand for the supporting service business segment was low in the PRC as the trade war between U.S. and China have affected many manufacturers in the PRC. A lackluster PRC market made Zheng Cheng to adopt a penetration pricing policy by setting price low to lure new customers. The strategy aims to build a customer base and stimulate future sales for Zheng Cheng. Once obtaining enough new customers, Zheng Cheng will raise price within a appropriate time frame and promote other profitable products in the future years.

The operating loss of this segment (that after elimination of inter-segment profit, if any,) was approximately HK$19.8 million (2018: approximately HK$18.1 million). The operating loss was mainly due to (i) the other operating expenses of approximately HK$10.7 million incurred in year 2019 (2018: HK$ nil) in relation of the specific provision of allowance of doubtful debt made for reason of the delay in repayment from trade receivables. The production of a customer was suspended for six months since August 2019 to carry out factory overhaul to re-comply with the new environmental laws requirements in the PRC after the inspection by the environmental authority in the PRC in July 2019, (ii) the administration expense of approximately HK$6.9 million incurred in year 2019 (2018: approximately HK$19.0 million) as well as (iii) the financial expenses incurred in relation to exchange loss of approximately HK$1.2 million in year 2019 (2018: approximately exchange gain of 0.6 million) incurred.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

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

Capital deficiency attributable to owners of the Company as at 31st December 2019 amounts to approximately HK$746.6 million (2018: approximately HK$670.5 million).

Borrowings

As at 31st December 2019, the Group's Hong Kong total borrowing (that consisted of amount payable on demand to Complant Sugar, amounts due to non-controlling interests and lease liabilities) of approximately HK$1,052.7 million (2018: approximately HK$995.2 million), of which approximately HK$533.7 million (2018: HK$ nil) was the amount payable on demand to Complant Sugar, approximately HK$492.0 million (2018: approximately HK$468.6 million) was the amounts due to non-controlling interests, approximately HK$ 27.0 million (2018: HK$ nil) was the lease liabilities and HK$ nil (2018: approximately HK$526.6 million) was the outstanding unsecured five-year zero-coupon Hong Kong-dollar convertible notes.

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$746.6 million (2018: approximately HK$670.5 million), the calculation of gearing ratio as at 31st December 2019 and 2018 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 31st December 2019 amounted to approximately HK63.8 million (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 bank balance and cash decreased by approximately HK$8.7 million. The decrease was brought by the net cash outflow from operation of approximately HK$0.5 million, the net cash used in investing activities of approximately HK$2.9 million (which mainly used for plantation of cane root in Jamaica), the net cash outflow from finance activities of approximately HK$2.1 million (which result from the financing cash outflow of approximately HK$2.1 million for the repayment of lease liabilities) and the negative effect of exchange rate changes on cash and cash equivalents of approximately HK$3.2 million.

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

Pledge of assets

As at 31st December 2019 and 2018, a bank deposit of a subsidiary of approximately J$21.5 million (approximately HK$1.3 million) (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) (2018: J$20.0 million (approximately HK$1.2 million)) in Jamaica. The cash collateral account attracts interest at 3.5% for the year ended 31st December 2019 (2018: 3.5%).

EMPLOYEE REMUNERATION POLICY

Remuneration policies

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total staff costs (including the directors' remuneration and employees' remuneration, contribution to retirement benefits scheme) of the Group in the year under review was approximately HK$39.4 million (2018: approximately HK$55.2 million), of which, approximately J$0.5 billion (approximately HK$31.6 million) (2018: approximately J$0.6 billion (approximately HK$36.3 million)) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The approximately HK$15.8 million decrease in staff cost was mainly due to the decrease in staff cost of approximately HK$4.6 million relating to the suspension of operation of Monymusk Sugar Factory in year 2019 and the decrease in staff cost of approximately HK$11.2 million relating to staff reduction of the supporting services segment due to the recent reduction in business of this segment.

As at 31st December 2019, the Group had 137 full time employees (2018: 179) and 450 temporary employees (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 year under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Reference is made to the announcement made by the Company dated 1st February 2010 and definitions of this announcement are adopted herein, there is no new progress for the MOU signed by the Company and CADFund on 31st January 2010 in respect of the Possible Transactions during year 2019.

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

CAPITAL STRUCTURE

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

TREASURY POLICIES

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the year ended 31st December 2019.

FOREIGN EXCHANGE EXPOSURE

The Group's operates in Jamaica and African countries, China and Hong Kong. During the year ended 31st December 2019, revenue was denominated mainly in US dollars and Jamaican dollars while its costs and expenses were primarily in Jamaican Dollars and US dollars where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollars. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

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

SIGNIFICANT INVESTMENTS HELD

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

PROSPECTS

Sugar business segment

The Jamaican government has been active in responding to the recent pandemic by restricting the movement of people. The confirmed cases are still in low level in Jamaica. The sugar business segment (with measures to ensure safety of the employees) is still maintaining operation in Jamaica up to the date of this announcement. However, the slowdown in global demand and global supply by the pandemic is expected to affect the business in short term, the production volume and sales quantity in year 2020 is expected to decline as compared to year 2019. Consequently, the sugar business segment plans to concentrate more effect to boost the sales of the higher price 20kg small-pack sugar and plans to further reduce the quantity for the lower price export sales in year 2020 in order to reduce the negative effect on the expected decline in sales quantity so as to maintain the overall sales revenue in a similar level.

Supporting service segment

The Group expects that Sino-Africa Technology & Trading Limited will continue to suspend those continuing connected transactions with connected parties in year 2020. Affected by the epidemic in the PRC, the market demand for the supporting service provided to independent third parties has shrunk, Zheng Cheng thus may not conduct further business in year 2020 until the market rebounds and the account receivables can collect to finance future transactions.

Ethanol business segment

For the Group's ethanol biofuel business, the construction of ethanol plant will continue to suspend in year 2020, pending for appropriate alternate business plan for this operation.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December 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 2020.

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, the independent non-executive directors of Mr. Shi Zhu and Dr. Lu Heng Henry did not attend the annual general meeting held on 28th June 2019 and the independent non-executive directors of Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry did not attend the extraordinary general meeting held on 20th September 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.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31st December 2019.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statements of profit or loss and other comprehensive income and financial position and the related notes thereto for the year ended 31st December 2019 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019

The following is an extract of the independent auditor's report on the Company's consolidated financial statements for the year ended 31st December 2019. The report includes particulars of the material uncertainty related to going concern without qualified opinion:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 3b in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$120,283,000 for the year ended 31 December 2019 and, as at 31 December 2019, the Group's current liabilities exceeded its current assets by HK$891,737,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31st December 2019, containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of Hong Kong Exchange and Clearing Limited at www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/hualien/index.htm in due course.

FORWARD-LOOKING STATEMENTS

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

By order of the Board
Liu Yan
Chairman

Hong Kong, 31st March 2020

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