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 2017

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 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*(3)*	**240,458**	328,623
Cost of sales		**(183,202)**	(249,313)
Gross profit		**57,256**	79,310
Changes in fair value of biological assets	*(11)*	**13,594**	(75,071)
Other income		**5,516**	5,524
Administrative expenses		**(50,952)**	(69,644)
Change in fair value of derivative component of convertible notes		**22,305**	7,741
Other operating expenses	*(4)*	**(101,302)**	(527,204)
Finance costs	*(5)*	**(47,705)**	(80,593)
Loss before income taxation expense		**(101,288)**	(659,937)
Income tax expense	*(7)*	**—**	—
Loss for the year	*(6)*	**(101,288)**	(659,937)

* *For identification purposes only*

	Notes	2017 HK$'000	2016 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(91,993)**	(545,300)
Non-controlling interests		**(9,295)**	(114,637)
		(101,288)	(659,937)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**(16,466)**	(1,442)
Total comprehensive loss for the year		**(117,754)**	(661,379)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(105,393)**	(546,464)
Non-controlling interests		**(12,361)**	(114,915)
		(117,754)	(661,379)
Dividend	*(9)*	**—**	—
Loss per share	*(8)*		
— Basic (cents per share)		**(4.20)**	(24.89)
— Diluted (cents per share)		**(4.20)**	(24.89)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*(10)*	**13,887**	48,749
Goodwill		—	—
Intangible asset		—	72,213
		13,887	120,962
Current assets			
Biological assets — growing cane	*(11)*	**26,306**	17,809
Inventories		**70,869**	65,055
Trade and other receivables	*(12)*	**123,880**	228,481
Bank balances, deposits and cash		**163,265**	112,210
Total Current assets		**384,320**	423,555
Total assets		**398,207**	544,517
Current liabilities			
Trade and other payables	*(13)*	**99,023**	172,626
Amounts due to non-controlling interests		**436,334**	410,909
Derivative component of convertible notes		**1,821**	4,571
Liabilities component of convertible notes		**44,183**	41,185
Total current liabilities		**581,361**	629,291
Net current liabilities		**(197,041)**	(205,736)
Total assets less current liabilities		**(183,154)**	(84,774)
Non-current liabilities			
Derivative component of convertible notes		**49,505**	69,060
Liabilities component of convertible notes		**484,307**	445,378
Total non-current liabilities		**533,812**	514,438
Net liabilities		**(716,966)**	(599,212)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves		**(821,209)**	(715,816)
Capital deficiency attributable to owners of the Company		**(602,091)**	(496,698)
Non-controlling interests		**(114,875)**	(102,514)
Total capital deficiency		**(716,966)**	(599,212)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "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").

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

(a) Adoption of new/revised HKFRSs — effective 1st January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of these consolidated financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the cash flow statement.

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these consolidated financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

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

(a) Adoption of new/revised HKFRSs — effective 1st January 2017 *(Continued)*

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these consolidated financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

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

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

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfer of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

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

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

[1] Effective for annual periods beginning on or after 1st January 2018

[2] Effective for annual periods beginning on or after 1st January 2019

[3] The amendments were originally intended to be effective for periods beginning on or after 1st January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation’s permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 — Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

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

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

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

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

HKFRS 15 — Revenue from Contracts with Customers *(Continued)*

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 — Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Amendments to HKAS 40, Investment Property — Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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

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

Amendments to HKFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

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

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

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Further information about those new standards, interpretations and amendments that are not yet effective but are expected to be applicable to the Group is set out below:

The Group has assessed the effects of the applying of HKFRS 15 on the consolidated financial statements and has not identified any material impact to the Group.

The Group has assessed HKFRS 9's impact on the consolidated financial statements. A majority of the Group's financial instruments which will continue to be measured on the same basis under HKFRS 9.

The Group has also assessed on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. Base on the assessment, there would be no material impact on the accumulated amount of impairment loss to be recognized by the Group as at 1st January 2018 as compared to the accumulated amounts recognized under HKAS 39.

HKFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the Group's operating leases. As at 31st December 2017, the Group has a total of non-concellable operating lease commitments of approximately HK$281,646,000 for the next 42.5 years. A preliminiary assessment indicates that this arrangement meets the definition of a lease. However, the amount of right-of-use assets and lease liabilities to be recognised as at 1st January 2019 may be substantially lower than the amount of operating lease commitments as at 31st December 2017 as the Group is under communication with the lessor to return substantial part of surplus leased land.

The Group has not early adopted the above standards, interpretations and amendments on the Group's accounting policies and consolidated financial statements.

There are no other HKFRS or HK(IFRIC) Interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

	Supporting services	**Sugar business**	**Ethanol business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31st December 2017				
Revenue				
Segment revenue	**114,948**	**141,772**	**—**	**256,720**
Inter-segment sales	**(16,262)**	**—**	**—**	**(16,262)**
Sales to external customers	**98,686**	**141,772**	**—**	**240,458**
Segment results	**(49,285)**	**(33,743)**	**1,245**	**(81,783)**
Unallocated corporate income				**18,459**
Finance costs				**(37,964)**
Loss before tax				**(101,288)**
At 31st December 2017				
Assets and liabilities				
Segment assets	**198,100**	**173,233**	**11,116**	**382,449**
Corporate and other unallocated assets				**15,758**
Total assets				**398,207**
Segment liabilities	**86,588**	**445,658**	**1,937**	**534,183**
Corporate and other unallocated liabilities				**580,990**
Total liabilities				**1,115,173**

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 2016				
Revenue				
Segment revenue	89,088	256,326	—	345,414
Inter-segment sales	(16,791)	—	—	(16,791)
Sales to external customers	72,297	256,326	—	328,623
Segment results	(241,377)	(382,151)	(425)	(623,953)
Unallocated corporate expenses				4,114
Finance costs				(40,098)
Loss before tax				(659,937)
At 31st December 2016				
Assets and liabilities				
Segment assets	303,864	209,819	10,772	524,455
Corporate and other unallocated assets				20,062
Total assets				544,517
Segment liabilities	140,233	439,051	2,887	582,171
Corporate and other unallocated liabilities				561,558
Total liabilities				1,143,729

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. 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 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

Year ended 31st December 2017	**Supporting services** *HK$'000*	**Sugar business** *HK$'000*	**Ethanol business** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss for segment assets:				
Depreciation and amortisation	**5,947**	**8,184**	**24**	**14,155**
Impairment loss on property, plant and equipment	**—**	**29,089**	**—**	**29,089**
Impairment loss on intangible asset	**66,278**	**—**	**—**	**66,278**

Year ended 31st December 2016	Supporting services *HK$'000*	Sugar business *HK$'000*	Ethanol business *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss for segment assets:				
Depreciation and amortisation	21,176	20,556	49	41,781
Impairment loss on property, plant and equipment	—	274,607	—	274,607
Impairment loss on intangible asset	185,112	—	—	185,112
Impairment loss on goodwill	31,221	—	—	31,221
Impairment loss on trade and other receivables	15,114	—	—	15,114

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
African countries	**98,686**	72,297
Jamaica	**121,169**	217,072
European countries	**19,670**	14,334
Caribbean countries	**933**	3,604
U.S.A.	**—**	21,316
	240,458	328,623

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

Non-current assets

	2017	2016
	HK$'000	*HK$'000*
African Countries	**23**	43
Jamaica	**13,756**	48,662
People's Republic of China	**108**	72,257
	13,887	120,962

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

4. OTHER OPERATING EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Amortisation of intangible asset	**5,935**	21,150
Impairment loss on intangible asset	**66,278**	185,112
Impairment loss on sugar business — property, plant and equipment	**29,089**	274,607
Impairment loss on goodwill	**—**	31,221
Impairment loss on trade and other receivables	**—**	15,114
	101,302	527,204

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on amounts due to non-controlling interests	**20,739**	20,944
Imputed interest expenses on convertible notes	**41,927**	40,381
Exchange (gain)/loss on borrowings	**(14,961)**	19,268
	47,705	80,593

6. LOSS FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging and crediting:		
Loss/(gain) on disposal of property, plant and equipment	**1,582**	(402)
Depreciation of property, plant and equipment	**8,220**	20,631

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$91,993,000 (2016: approximately HK$545,300,000), and the weighted average number of 2,191,180,000 (2016: 2,191,180,000) ordinary shares in issue during the year.

No adjustment has been made to the loss per share accounts presented for the years ended 31st December 2017 and 2016 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 2017 and 2016.

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$2,263,000 (2016: approximately HK$18,784,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

Growing Cane

	2017	2016
	HK$'000	*HK$'000*
Opening balance	**17,809**	92,353
Cane cultivation cost capitalised	**35,280**	67,741
Decrease in fair value of cane harvested	**(41,140)**	(63,199)
Change in fair value	**13,594**	(75,071)
Exchange realignment	**763**	(4,015)
Closing balance	**26,306**	17,809

The increase in fair value of growing cane for the year ended of approximately HK$13,594,000 (2016: the decrease in fair value of approximately HK$75,071,000) is reflected in the profit or loss.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of approximately HK$117,518,000 (2016: approximately HK$210,600,000), within which of approximately HK$110,200,000 (2016: approximately HK$189,930,000) is relating to trade customers of supporting services of sweetener and ethanol business, and the remaining of approximately HK$7,318,000 (2016: approximately HK$20,670,000) is relating to trade customers of sugar business in Jamaica.

The Group allows a credit period of 365 days (2016: 365 days) to its trade customers of supporting services of sweetener and ethanol business, 0 to 30 days (2016: 0 to 30 days) to trade customers of raw sugar trading and 15 days (2016: 15 days) credit period for advance payment payable on basis of estimated production output at start of production and 60 days (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
0 - 30 days	**28,238**	33,765
31 - 60 days	**11,849**	5,398
61 - 90 days	**4,709**	7,532
91 - 365 days	**2,043**	6,508
> 365 days	**70,679**	157,397
	117,518	210,600

As at 31st December 2017, the Group's trade receivables included approximately HK$73,159,000 (2016: approximately HK$178,068,000) (see below for aging analysis) which were past due for which the Group had not provided for allowance for doubtful debts. These balances were due from customers of good credit quality with no history of default.

12. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2017	2016
	HK$'000	*HK$'000*
Overdue 1 - 90 days	**23,362**	58,046
Overdue 91 -180 days	**346**	1,432
Overdue 181 - 365 days	**5,744**	34,001
Overdue > 365 days	**43,707**	84,589
	73,159	178,068

The Group's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the allowance for doubtful debts of trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Balance at beginning of year	**40,114**	25,000
Impairment loss recognised	**—**	15,114
Balance at end of year	**40,114**	40,114

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$61,641,000 (2016: approximately HK$100,076,000), within which of approximately HK$58,300,000 (2016: approximately HK$81,533,000) is relating to trade payables of supporting services of sweetener and ethanol business, and the remaining of approximately HK$3,341,000 (2016: approximately HK$18,543,000) is relating to trade payables of sugar business.

Credit period granted by trade creditors of supporting services of sweetener and ethanol business is 365 days (2016: 365 days) while credit period granted by trade creditors of sugar business in Jamaica external suppliers is from 0 to 30 days (2016: 0 to 30 days).

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

	2017	2016
	HK$'000	*HK$'000*
Not yet due	**59,587**	60,657
Overdue 1 - 90 days	**2,054**	28,296
Overdue 91 -180 days	—	1,619
Overdue 181 - 365 days	—	4,173
Overdue > 365 days	—	5,331
	61,641	100,076

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the year ended 31st December 2017, the revenue of the Group decreased by approximately 26.8% to approximately HK$240.5 million (2016: approximately HK$328.6 million). The decrease in revenue of approximately HK$88.1 million was mainly due to the net effect of the decrease in sales of sugar business segment of approximately HK$ 114.5 million and the increase in sales of the supporting service business segment of approximately 26.4 million.

The gross profit decreased by approximately HK$22.0 million to approximately HK$57.3 million (2016: approximately HK$79.3 million). The gross profit percentage decreased slightly by approximately 0.3% to approximately 23.8% (2016: approximately 24.1%). The decrease in gross profit was mainly due to the decrease in revenue of approximately HK$114.5 million of the sugar business segment.

The loss before taxation decreased by approximately HK$558.7 million to approximately HK$101.3 million (2016: approximately HK$659.9 million). The decrease in loss before taxation was mainly due to (i) the decrease in impairment loss on property, plant and equipment, goodwill, intangible assets and account receivables for a total of approximately HK$410.7 million; (ii) the decrease in foreign currency loss of approximately HK$34.2 million; (iii) the decrease of administrative expense of approximately HK$18.7 million; and the increase in fair value of biological assets of approximately HK$88.7 million.

Basic loss per share for the year was approximately HK4.20 cents (2016: approximately HK24.89 cents).

The Directors do not recommend the payment of a dividend for the year ended 31st December 2017 (2016: 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. In year 2017, Joyful Right Group was only operating 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$2.3 billion for year 2017 (approximately HK$141.8 million) (2016: approximately J$4.1 billion (approximately HK$256.3 million)). The decrease in revenue in Jamaican dollar of approximately J$1.8 billion (approximately HK$112.0 million) was mainly due to the decrease in production output for reasons of (i) the decrease in quantity and quality raw material of sugar canes because of the local adverse weather condition in Frome region of Jamaica; and (ii) the suspension of two sugar estates of the Bernard Lodge Sugar Estate and the Monymusk Sugar Estate as well as one sugar factory of the Monymusk Sugar Factory. Joyful Right Group produced approximately 18,800 tonnes of raw sugar and 12,800 tonnes of molasses of year 2017 using input of sugar cane crushed of approximately 241,300 tonnes compared with approximately 45,600 tonnes of raw sugar and 33,400 tonnes of molasses of year 2016 using input of sugar cane of approximately 680,400 tonnes.

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

	2017			2016		
	J$'million	***HK$ 'million***	***% of Revenue***	*J$' million*	*HK$ 'million*	*% of Turonver*
By region						
Jamaica	**1,948.1**	**121.2**	**85.4**	3,495.5	217.1	84.7
European countries	**316.2**	**19.7**	**13.9**	230.8	14.3	5.6
Caribbean countries	**15.0**	**0.9**	**0.7**	58.0	3.6	1.4
U.S.A.	—	—	—	343.3	21.3	8.3
	2,279.3	**141.8**	**100.0**	4,127.6	256.3	100.0

In 2017, Joyful Rights increased the local sales in Jamaica from approximately 84.7% to approximately 85.4% and the decrease the overseas sales from approximately 15.3% to approximately 14.6%. There was no material change in the local and overseas sale mix, which was basically maintained the 80% to 20% ratio. However, there were some changes in the composition in the sales mix within the overseas markets. There was a decrease in sales of 4,610 tonnes of raw sugar to U.S.A., the increase of 318 tonnes increase in sales to European countries and the increase of 550 tonnes sales of raw sugar to Caribbean Countries. The change in sales mix was mainly due to (i) the decrease in overall production; and (ii) the strategic attempt to expand its customer base in Caribbean countries, where there had no quota restriction and the selling price was relative higher than the U.S.A. and European countries.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J$239.5 million (approximately HK$14.9 million) (2016: approximately J$819.1 million (approximately HK$50.9 million)). The gross profit ratio decreased by approximately 9.3% to 10.5% in year 2017 compared with gross profit ratio of approximately 19.8% in year 2016. The decrease in gross profit ratio was mainly due to net effect of the approximately 35.0% increase in production cost of raw sugar and the approximately 23.4% increase in production cost of molasses and these rising cost effects were partially offset by the approximately 19.9% increase of average selling price in Jamaican dollars for raw sugar that accounted for approximately 90.4% of total revenue of this segment and the approximately 9.0% increase in selling price of molasses that accounted for approximately 9.6% of total revenue of this segment in year 2017. The average production cost of raw sugar and molasses was approximately J$86,000 (approximately HK$5,300) per tonne and J$13,500 (approximately HK$800) per tonne respectively in year 2017 compared with approximately J$63,600 (approximately HK$3,900) per tonne and approximately J$11,000 (approximately HK$700) per tonne respectively in year 2016. This increase in production cost was due the approximately 41.2% increase of the official sugar cane price as announced by Sugar Industry Authority in Jamaica. However, this negative impact of the increase in official sugar cane price is partially reduced by the increase in average price of raw sugar and molasses. The average selling price for raw sugar and molasses in year 2017 was approximately J$99,900 (approximately HK$6,200) and approximately J$15,700 (approximately HK$980) per tonne respectively compared with approximately J$83,300 (approximately HK$5,200) and approximately J$14,400 (approximately HK$900) in year 2016. This selling price mainly drove up by the increase in local official raw sugar price as announced by government agent in Jamaica to alleviate the cost impact on the official increase in sugar cane price in Jamaica.

In terms of net operation results, this segment recorded net loss of approximately HK$33.7 million (2016: approximately HK$382.1 million). The net loss was mainly attributable to the additional impairment loss of property, plant and equipment of approximately J$462.5 million (approximately HK$29.1 million) as a result of further decrease in value-in-use of the Frome Sugar Factory as assessed by an independent valuer.

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 2017.

In terms of net operation results, this segment recorded net profit of approximately HK$1.2 million (2016: net loss of approximately HK$0.4 million). The net gain was mainly for the net profit on disposal of assets of approximately HK$1.3 million during the year.

Supporting services to sweetener and ethanol business

Business review

For the year 2017 and 2016, all the customers of supporting services to sweetener and ethanol business, except the inter-segment sales for year ended 2017 and 2016 to Jamaica and Benin, was located in African countries.

The revenue from external customers of approximately HK$98.7 million (2016: approximately HK$72.3 million). The increase in revenue of approximately HK$26.4 million was mainly due to the increase of approximately HK$17.0 million in orders for consumables procurement and technical support services, the approximately HK$10.6 million increase in orders for chemicals and fertilizer procurement as well as the approximately HK$1.2 million decrease in orders for fixed asset procurement. The increase in orders for consumables procurement and technical support services and orders for chemicals and fertilizer procurement was mainly due to the mainly resulting from the inventory replenishment of the customers in Republic of Benin and Republic of Madagascar in Africa.

The gross profit after elimination of inter-segment profit is approximately HK$42.3 million (2016: approximately HK$28.3 million). The gross profit ratio increased by approximately 3.6% to approximately 42.9% (2016: approximately 39.3%). The approximately 14.0 million increased in gross profit was due to the approximately 26.4 million increased in revenue as explained above. The slight 3.6% increase in gross profit was mainly brought by the changes in sales mix. Despite the sales of higher margin products of consumables procurement and technical support services which had gross profit percentage of approximately 62.1% (2016: approximately 62.1%) increased by 23.4% to 66.2% (2016: approximately 42.8%), the sales of lower margin products of chemicals and fertilizer which had gross profit percentage of approximately 19.2% (2016: approximately 20.2%) also increased by 14.6% to 55.4% (2016: approximately 40.8%). Therefore, the gross profit was only marginally increased by 3.6%.

The operating loss of this segment that after elimination of inter-segment profit was approximately HK$49.3 million (2016: approximately HK$241.4 million). The operating loss was due to the approximately HK$66.3 million of the impairment loss for intangible asset of customers relationship because of the further decrease in value-in-use of the supporting services segment as assessed by an independent valuer.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 31st December 2017, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (2016: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 31st December 2017 amounts to approximately HK$602.1 million (2016: approximately HK$496.7 million).

Borrowings

As at 31st December 2017, the Group's Hong Kong total borrowing that consisted of current portion of amounts due to non-controlling interests and convertible notes, excluding derivative component of convertible notes, of approximately HK$964.8 million (2016: approximately HK$897.5 million), of which approximately HK$436.3 million (2016: approximately HK$410.9 million) was the current portion of amounts due to non-controlling interests and approximately HK$528.5 million (2016: approximately HK$486.6 million) was the outstanding five-year zero-coupon Hong Kong-dollar convertible notes.

For the outstanding five-year zero-coupon Hong Kong-dollar convertible notes, all were unsecured.

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$602.1 million (2016: approximately HK$496.7 million), the calculation of gearing ratio as at 31st December 2017 and 2016 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 31st December 2017 amounted to approximately HK$163.3 million (2016: approximately HK$112.2 million), mainly denominated in Hong Kong Dollars, US Dollars and Jamaican dollars. The bank balances were placed in short term deposits with major banks in Hong Kong and Jamaica. The bank balance and cash increased by approximately HK$51.1 million. The increase was brought by the net cash outflow from operation of approximately HK$54.6 million, the net cash used in investing activities of approximately HK$1.9 million mainly used for plantation of cane root in Jamaica and the negative effect of exchange rate changes on cash and cash equivalents of approximately HK$1.8 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 2017 and 2016, a bank deposit of a subsidiary of approximately J$20.9 million (approximately HK$1.3 million) (2016: approximately J$20.4 million (approximately HK$1.2 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) (2016: 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 2017 (2016: 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$45.1 million (2016: approximately HK$71.4 million), of which, approximately J$0.4 billion (approximately HK$24.8 million) (2016: approximately J$0.9 billion (approximately HK$54.6 million)) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The decrease in staff cost was mainly due to the decrease in number of staff from the staff cut by implementing the redundancies in 2016.

As at 31st December 2017, the Group had 209 full time employees (2016: 220) and 471 temporary employees (2016: 535).

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 2017.

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 2017.

FOREIGN EXCHANGE EXPOSURE

The Group's operates in Jamaica and African countries, China and Hong Kong. During the year ended 31st December 2017, 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 2017 and 2016.

PROSPECTS

Sugar business segment

There are several new developments for the sugar business segment in 2018. Firstly, a new license to import refined sugar, a regulated business in Jamaica, has been granted to PCSC, in an attempt by the Jamaican government to control the leakage of imported refined sugar in retail market in Jamaica. PCSC now is one of the three of the approved marketing agents permitted to import refined sugar for the retail trading in Jamaica. The Group believes that this new license may create new income stream for this segment. Secondly, Monymusk Sugar Factory in Jamaica have resumed the sugar and molasse manufacturing operation since March 2018. However, Monymusk Sugar Estate that experienced serious operational loss will remind suspend and Monymusk Sugar Factory will solely rely on purchasing sugar cane from external farmers. Monymusk Sugar Factory has launched extensive program which include the farmer loans and equipment rental services to assist the local farmers to boost their sugar cane productivity in the Monymusk and the Bernard Lodge region of Jamaica. Thirdly, as two sugar estates of the Bernard Lodge Sugar Estate and the Monymusk Sugar Estate have suspended since June 2016, PCSC are in discussion with Jamaica government to return substantial part of the surplus leased land in the Monymusk and the Bernard Lodge region back to Jamaican government agent to lower the lease rental expense yearly to preserve more working capital to support the resumption of operation of the Monymusk Sugar Factory since March 2018. Fourthly, the adverse weather condition is somewhat alleviated in Frome region of Jamaica.

Supporting service segment

Reference is made to the circular of the Company dated 28th May 2015, the three years annual cap for the continuing connected transactions of the Company under the 2015-2017 Supply and Service Agreements have expired on 31st December 2017. The Group has, since 1st January 2018, suspended those continuing connected transactions until all compliance matters fulfilled under Listing Rules and the new three years annual cap granted. The Group will take appropriate actions in order to comply with all those requirements under the provisions of Chapter 14A of the Listing Rules including the seeking of approvals from the independent shareholders for another three years annual caps in second quarter of year 2018

Ethanol business segment

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December 2017, 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 Rules (the "Code"), except for the following deviation:—

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, Dr. Zheng Liu who had retired on 5th July 2017, Mr. Yu Chi Jui and Ms. Li Xiao Wei who were removed on 12th December 2017, were not appointed for a specific term. Also, none of the newly appointed non-executive Directors who were appointed on 12th December were for specific term. These constitutes a deviation from the code provision A.4.1 during the period.

However, all the newly appointed independent non-executive directors who were appointed on 12th December 2017 were for specific terms. Furthermore, 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.5.1

According to Rule 3.10(1) and 3.21 of the Listing Rules and code provision A.5.1 of CG Code, the Board is required at least three independent non-executive Directors and the audit committee of the Board ("Audit Committee") must comprise a minimum of three members and the nomination committee of the Board ("Nomination Committee") should comprises a majority of independent non-executive Directors. Following the retirement of Dr Zheng Liu as the independent non-executive Director and ceased to be the member of both Audit Committee and Nomination Committee with effect from 5th July 2017, the Board has two independent non-executive Directors. The Audit Committee comprises only two members and the Nomination Committee comprises two independent non-executive Directors. This was in deviation from Rules 3.10(1) and 3.21 of the Listing Rules and code provision A.5.1 of the Code.

However, following the appointment of Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry as independent non-executive Directors with effect from 12th December 2017, the Company has three independent non-executive Directors, the Audit Committee comprises three members and the Nomination Committee comprises a majority of independent non-executive Directors in compliance with the requirements under Rules 3.10(1) and 3.21 of the Listing Rules and code provision A.5.1 of 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 Dr. Zheng Liu who had retired on 5th July 2017 did not attend the annual general meeting held on 5th July 2017 and Mr. Yu Chi Jui and Ms. Li Xiao Wei who were removed on 12th December 2017 did not attend the annual general meeting held on 5th July 2017 and the extraordinary general meeting held on 12th December 2017.

Code Provision E.1.2

Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. Mr. Liu Xueyi who had stepped down as Chairman of the Board on 12th December 2017 was unable to attend the annual general meeting of the Company held on 5th July 2017 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 2017.

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 2017 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.

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 2017, 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
Ms. Liu Yan
Chairman

Hong Kong, 29th March 2018

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.