Hua Lien International (Holding) Company Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 969

2020 Interim Report

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2020 together with the comparative figures as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2020

	Notes	**Six months ended 30th June** **2020** **(unaudited)** **HK$'000**	2019 (unaudited) HK$'000
Turnover	(3)	**65,429**	52,218
Cost of sales		**(46,174)**	(40,347)
Gross profit		**19,255**	11,871
Changes in fair value of biological assets	(11)	**(16,902)**	3,158
Other income		**2,081**	2,747
Administrative expenses		**(15,925)**	(23,008)
Change in fair value of derivative component of convertible notes		**—**	7,450
Other operating expenses	(4)	**(402)**	(28,195)
Finance costs	(5)	**(54,912)**	(39,053)
Loss before income tax expense		**(66,805)**	(65,030)
Income tax expense	(7)	**—**	—
Loss for the period	(6)	**(66,805)**	(65,030)
Loss for the period attributable to:			
Owners of the Company		**(48,250)**	(48,222)
Non-controlling interests		**(18,555)**	(16,808)
		(66,805)	(65,030)
Loss per share	(8)		
— Basic (cents per share)		**(0.0220)**	(0.0220)
— Diluted (cents per share)		**(0.0220)**	(0.0220)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June 2020

	Six months ended 30th June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss for the period	**(66,805)**	(65,030)
Other comprehensive loss for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**39,780**	15,580
Total comprehensive loss for the period	**(27,025)**	(49,450)
Total comprehensive loss for the period attributable to:		
Owners of the Company	**(19,139)**	(36,703)
Non-controlling interests	**(7,886)**	(12,747)
	(27,025)	(49,450)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2020

	Notes	**30th June 2020 (unaudited) HK$'000**	31st December 2019 (audited) HK$'000
Non-current assets			
Property, plant and equipment	(10)	**9,174**	11,244
Intangible asset		**—**	—
Right-of-use assets		**—**	—
Total non-current assets		**9,174**	11,244
Current assets			
Biological assets — growing cane	(11)	**16,674**	27,240
Inventories	(12)	**50,424**	56,181
Trade and other receivables	(13)	**59,703**	52,798
Bank balances, deposits and cash	(14)	**54,229**	63,759
Total current assets		**181,030**	199,978
Total assets		**190,204**	211,222
Current liabilities			
Trade and other payables	(15)	**584,760**	596,994
Contract liabilities		**9,654**	830
Lease liabilities	(16)	**1,993**	1,864
Amount due to non-controlling interests		**500,588**	492,027
Total current liabilities		**1,096,995**	1,091,715
Net current liabilities		**(915,965)**	(891,737)
Total assets less current liabilities		**(906,791)**	(880,493)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30th June 2020

	Notes	**30th June 2020 (unaudited) HK$'000**	31st December 2019 (audited) HK$'000
Non-current liabilities			
Lease liabilities	(16)	**(25,895)**	(25,168)
Net liabilities		**(932,686)**	(905,661)
Capital and reserves			
Share capital	(17)	**219,118**	219,118
Reserves		**(984,838)**	(965,699)
Capital deficiency		**(765,720)**	(746,581)
Non-controlling interests		**(166,966)**	(159,080)
Total capital deficiency		**(932,686)**	(905,661)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2020

	Attributable to owners of the Company							Attributable to non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Special reserve (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1st January 2020 (audited)	**219,118**	**708,392**	**–**	**(66,014)**	**(25,391)**	**(1,582,686)**	**(746,581)**	**(159,080)**	**(905,661)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(48,250)**	**(48,250)**	**(18,555)**	**(66,805)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**29,111**	**–**	**–**	**29,111**	**10,669**	**39,780**
Total comprehensive loss for the period	**–**	**–**	**–**	**29,111**	**–**	**(48,250)**	**(19,139)**	**(7,886)**	**(27,025)**
At 30th June 2020 (unaudited)	**219,118**	**708,392**	**–**	**(36,903)**	**(25,391)**	**(1,630,936)**	**(765,720)**	**(166,966)**	**(932,686)**

For the six months ended 30th June 2019

	Attributable to owners of the Company							Attributable to non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Special reserve (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000	HK$'000	HK$'000
At 1st January 2019 (audited)	219,118	708,392	370,504	(81,770)	(25,391)	(1,861,315)	(670,462)	(135,331)	(805,793)
Loss for the period	–	–	–	–	–	(48,222)	(48,222)	(16,808)	(65,030)
Exchange differences arising on translation of foreign operations	–	–	–	11,519	–	–	11,519	4,061	15,580
Total comprehensive loss for the period	–	–	–	11,519	–	(48,222)	(36,703)	(12,747)	(49,450)
At 30th June 2019 (unaudited)	219,118	708,392	370,504	(70,251)	(25,391)	(1,909,537)	(707,165)	(148,078)	(855,243)

Note: The special reserve represents the difference between the consideration paid by the Company for the acquisition of the 70% equity interest in Joyful Right Limited and its subsidiaries (the "Joyful Right Group") under common control and the aggregate carrying amount of assets and liabilities acquired in Joyful Right Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2020

	Six months ended 30th June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(7,749)**	9,124
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**747**	(1,811)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**–**	7,374
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(7,002)**	14,687
CASH AND CASH EQUIVALENTS AT 1st JANUARY	**62,480**	71,144
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(1,249)**	(18,958)
CASH AND CASH EQUIVALENTS AT 30th JUNE	**54,229**	66,873
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Current bank balances and cash	**53,907**	66,577
Short-term fixed deposits mature within three months	**322**	296
	54,229	66,873

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2020 have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). This should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS").

Going concern basis

The unaudited condensed consolidated interim financial statements have been prepared on a going concern basis even though the Group incurred a consolidated net loss of approximately HK$66,805,000 during the period (six months ended 30th June 2019: approximately HK$65,030,000) and the Group had net current liabilities and net liabilities of approximately HK$915,965,000 (31st December 2019: approximately HK$891,737,000) and approximately HK$932,686,000 (31st December 2019: approximately HK$905,661,000) 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:

(a) 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;

(b) Complant Sugar has undertaken to provide continuing financial support, including not to recall the amount due to them of approximately HK$500,588,000 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;

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

(c) 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 period ended 30th June 2020;

(d) 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

(e) 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 period ended 30th June 2020 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 unaudited condensed consolidated interim financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information have been prepared on the historical cost basis, except for biological assets and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30th June 2020 are the same as those followed in the preparation of the consolidated financial statements for the year ended 31st December 2019.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January 2020 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition to the above amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, are effective for annual periods beginning on or after 1st January 2020.

The application of the above amendments to HKFRSs and the Amendments to References to the Conceptual Framework in HKFRS Standards in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

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

3. TURNOVER 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 was an analysis of the Group's revenue, results, assets and liabilities by reportable segments:

	Supporting services HK$'000	Sugar business HK$'000	Ethanol business HK$'000	Total HK$'000
Six months ended 30th June 2020				
Turnover				
Segment turnover	–	65,429	–	65,429
Inter-segment sales	–	–	–	–
Sales to external customers	–	65,429	–	65,429
Segment results	(2,670)	(60,249)	(471)	(63,390)
Unallocated corporate income				(3,415)
Loss before tax				(66,805)
At 30th June 2020				
Assets and liabilities				
Segment assets	59,889	110,929	11,069	181,887
Corporate and other unallocated assets				8,317
Total assets				190,204
Segment liabilities	32,074	555,635	–	587,709
Corporate and other unallocated liabilities				535,181
Total liabilities				1,122,890

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

	Supporting services HK$'000	Sugar business HK$'000	Ethanol business HK$'000	Total HK$'000
Six months ended 30th June 2019				
Turnover				
Segment turnover	–	52,218	–	52,218
Inter-segment sales	–	–	–	–
Sales to external customers	–	52,218	–	52,218
Segment results	(7,065)	(55,207)	(852)	(63,124)
Unallocated corporate expenses				6,059
Finance costs				(7,965)
Loss before tax				(65,030)
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

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

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

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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

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

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

Other reportable segment information

Six months ended 30th June 2020	**Supporting services (unaudited) HK$'000**	**Sugar business (unaudited) HK$'000**	**Ethanol business (unaudited) HK$'000**	**Total (unaudited) HK$'000**
Amounts included in the measure of segment profit or loss for segment assets:				
Depreciation	**13**	**1,641**	**2**	**1,656**
Impairment loss on property, plant and equipment	**–**	**402**	**–**	**402**

Six months ended 30th June 2019	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	12	1,264	2	1,278
Impairment loss on right-of-use assets	—	28,195	—	28,195

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	Six months ended 30th June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Jamaica	**48,733**	37,574
United States	**16,696**	13,753
Caribbean Countries	**—**	891
	65,429	52,218

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

Non-current assets

	30th June	31st December
	2020	2019
	(unaudited)	(audited)
	HK$'000	HK$'000
Jamaica	**9,112**	11,166
People's Republic of China	**50**	64
African Countries	**12**	14
	9,174	11,244

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

4. OTHER OPERATING EXPENSES

	Six months ended 30th June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Impairment loss on property, plant and equipment	**402**	—
Impairment loss on right-of-use assets	**—**	28,195

5. FINANCE COSTS

	Six months ended 30th June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest on amounts due to non-controlling interests	**12,344**	12,715
Interest on lease liabilities	**1,073**	1,029
Imputed interest expenses on convertible notes	**—**	7,060
Exchange loss on borrowings	**41,495**	18,249
Total borrowing costs	**54,912**	39,053

6. LOSS FOR THE PERIOD

	Six months ended 30th June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Loss for the period has been arrived at after crediting/(charging):		
Gain (loss) on disposal of property, plant and equipment	**237**	(1)
Depreciation of property, plant and equipment	**(1,656)**	(1,278)

7. INCOME TAX EXPENSE

No provision for income tax has been made in the unaudited condensed consolidated interim 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 was based on the consolidated loss for the period attributable to equity holders of the Company of approximately HK$48,250,000 (six months ended 30th June 2019: approximately HK$48,222,000), and the weighted average number of 2,191,180,000 (30th June 2019: 2,191,180,000) ordinary shares in issue during the period.

There were no dilutive potential ordinary shares outstanding for period ended 30th June 2020 (30th June 2019: the effect of the exercise of convertible notes was not included in the calculation of diluted loss per share as it was anti-dilutive).

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2020 (six months ended 30th June 2019: Nil).

10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$614,000 (six months ended 30th June 2019: approximately HK$1,833,000) on acquisition of property, plant and equipment.

11. BIOLOGICAL ASSETS — GROWING CANE

	30th June 2020 (unaudited) HK$'000	31st December 2019 (audited) HK$'000
Opening balance	**27,240**	25,921
Cane cultivation cost capitalised	**28,105**	47,560
Decrease in fair value of cane harvested	**(20,741)**	(46,932)
Change in fair value	**(16,902)**	1,670
Exchange realignment	**(1,028)**	(979)
Closing balance	**16,674**	27,240

The decrease in fair value of growing cane for the period ended of approximately HK$16,902,000 (six months ended 30th June 2019: the increase in fair value of growing cane of approximately HK$3,158,000) was reflected in the profit or loss.

12. INVENTORIES

	30th June 2020 (unaudited) HK$'000	31st December 2019 (audited) HK$'000
Consumables and components	**47,632**	56,223
Goods in transit	**17**	18
Sugar and molasses	**22,428**	20,898
	70,077	77,139
Write-down	**(19,653)**	(20,958)
Net realizable value	**50,424**	56,181

At 30th June 2020, the sugar and molasses consisted of 4,771 tonnes (31st December 2019: 4,485 tonnes) of raw sugar and 902 tonnes (31st December 2019: 1,691 tonnes) of molasses with carrying amounts of approximately HK$21,851,000 (31st December 2019: approximately HK$19,662,000) and HK$577,000 (31st December 2019: approximately HK$1,236,000) respectively.

13. TRADE AND OTHER RECEIVABLES

	30th June 2020 (unaudited) HK$'000	31st December 2019 (audited) HK$'000
Trade receivables	**107,956**	98,736
Less: Impairment loss	**(50,425)**	(50,628)
	57,531	48,108
Prepayments	**925**	4,206
Other receivables and deposits	**1,247**	484
	59,703	52,798

The Group does not hold any collateral over these balances.

The Group allows a credit period of 90-365 days (31st December 2019: 90-365 days) to its customers of supporting services of sweetener and ethanol business, 30 days (31st December 2019: 30 days) to customers of raw sugar trading and 60 days (31st December 2019: 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:

	30th June 2020 (unaudited) HK$'000	31st December 2019 (audited) HK$'000
0 — 30 days	**15,199**	2,122
31 — 60 days	**322**	55
61 — 90 days	**694**	11,310
91 — 365 days	**3,353**	5,661
> 365 days	**88,388**	79,588
	107,956	98,736

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

The Group recognised impairment loss based on the accounting policy for the period and year ended 30th June 2020 and 31st December 2019 respectively.

13. TRADE AND OTHER RECEIVABLES *(Continued)*

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.

14. BANK BALANCES, DEPOSITS AND CASH

	30th June 2020 (unaudited) HK$'000	31st December 2019 (audited) HK$'000
Bank balances and cash	**53,907**	62,176
Short-term fixed deposits mature within three months	**322**	304
Cash and cash equivalents	**54,229**	62,480
Pledged bank deposits (Note 20)	**—**	1,279
	54,229	63,759

Bank balances comprise time and demand deposits at bank which bear interest at the prevailing market rates.

15. TRADE AND OTHER PAYABLES

	30th June 2020 (unaudited) HK$'000	31st December 2019 (audited) HK$'000
Trade payables	**14,195**	24,150
Other payables and accrued liabilities	**570,565**	572,844
	584,760	596,994

Trade payables credit period granted by trade creditors of supporting services of sweetener and ethanol business is 365 days (31st December 2019: 365 days) while credit period granted by trade creditors of sugar business is 30 days (31st December 2019: 30 days).

15. TRADE AND OTHER PAYABLES *(Continued)*

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

	30th June 2020 (unaudited) HK$'000	31st December 2019 (audited) HK$'000
Not yet due	**16**	726
Overdue 1 — 90 days	**3,105**	5,753
Overdue 91 — 180 days	**1,160**	273
Overdue 181 — 365 days	**438**	6,454
Overdue > 365 days	**9,476**	10,944
	14,195	24,150

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

As at 30th June 2020 and 31st 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.

16. LEASE LIABILITIES

Future lease payments were due as follows:

			At 30th June 2020	At 31st December 2019
	Minimum lease payments (unaudited) HK$'000	Interest (unaudited) HK$'000	Present value of minimum lease payments (unaudited) HK$'000	Present value of minimum lease payments (audited) HK$'000
Within one year	2,144	151	1,993	1,864
After one but within two years	2,144	291	1,853	1,733
After two but within five years	6,431	1,618	4,813	4,501
More than 5 years	75,373	56,144	19,229	18,934
	83,948	58,053	25,895	25,168
	86,092	58,204	27,888	27,032

The present value of future lease payments were analysed as:

	At 30th June 2020 (unaudited) HK$'000	At 31st December 2019 (audited) HK$'000
Current liabilities	1,993	1,864
Non-current liabilities	25,895	25,168
	27,888	27,032

17. SHARE CAPITAL

	Number of shares '000	**Value** HK$'000
Ordinary share of HK$0.1 each		
Authorised:		
As at 31st December 2019 (audited) and 30th June 2020 (unaudited)	6,000,000	600,000
Issued and fully paid:		
As at 31st December 2019 (audited) and 30th June 2020 (unaudited)	2,191,180	219,118

18. CAPITAL COMMITMENTS

As at 30th June 2020 and 31st December 2019, the Group did not have any significant capital commitments.

19. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the transactions for the period and balances at 30th June 2020 with consolidated related parties are as follows:

(a) Transaction with related parties:

	Six months ended 30th June 2020 (unaudited) HK$'000	Six months ended 30th June 2019 (unaudited) HK$'000
Exempted Continuing Connected Transaction		
Rental and building management fee paid to China Complant	**26**	380

19. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transaction with related parties: *(Continued)*

Notes:

1. The above exempted continuing connected transactions with related party was conducted with terms mutually agreed by both contract parties with reference to market prices.

2. Due to the proposed non-exempted continuing connected transactions were voted down by the independent shareholders on the extraordinary general meeting held on 31st May 2019. The supporting service business segment cannot carry out any non-exempted continuing connected transaction with its customers who presently are all connected parties, therefore, the Group had not entered into any non-exempted continuing connected transaction during both the six months ended 30th June 2020 and 2019.

(b) Trade receivables and other payable of related parties

	At 30th June 2020 (unaudited) HK$'000	At 31st December 2019 (audited) HK$'000
Amount due from subsidiaries of Complant Sugar		
— Trade receivables	**34,180**	34,545
Amount due to China Complant		
— Other payable	**22,969**	22,474

Notes: The amounts are interest-free and unsecured.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Remuneration of key management during the period was as follows:

	Six months ended 30th June	
	2020	2019
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Short-term benefits	**149**	295
Post-employment benefits	**48**	55
	197	350

20. PLEDGE OF ASSETS

As at 30th June 2020, the Group did not have any pledge of assets. The pledged bank deposit of a subsidiary of approximately J$21.5 million (approximately HK$1.2 million) by a subsidiary of the Group was released in April 2020 when the related bank guarantee of J$20.0 million (approximately HK$1.1 million) had cancelled.

As at 31st December 2019, a bank deposit of a subsidiary of approximately J$21.5 million (approximately HK$1.3 million) was pledged by a subsidiary of the Group to secure against its bank guarantee of J$20.0 million (approximately HK$1.2 million) in Jamaica. The cash collateral account attracts interest at 3.5% for the year ended 31st December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERALL PERFORMANCE

For the six months ended 30th June 2020, the turnover of the Group increased by approximately 25.3% to approximately HK$65.4 million (six months ended 30th June 2019: approximately HK52.2 million).

The amount of overall gross profit increased by approximately HK$7.4 million to approximately HK$19.3 million (six months ended 30th June 2019: approximately HK$11.9 million) and the overall gross profit percentage increased by about 6.7% to approximately 29.4% (six months ended 30th June 2019: approximately 22.7%). The increase in amount of overall gross profit was mainly due to the increase in turnover.

The loss for the period increased by approximately HK$1.8 million to approximately HK$66.8 million (six months ended 30th June 2019: approximately HK$65.0 million). The increase in loss was mainly due to combined net negative effect from the positive and negative impact impacts. The positive impacts included of (i) the increase in gross profit of approximately HK$7.4 million; (ii) the decrease in administrative expense of approximately HK$7.1 million and (iii) the decrease in other operating expenses of approximately HK$27.8 million. The negative impacts comprised of (i) the decrease in other income and expense of approximately HK$0.6 million; (ii) the increase in loss on changes in fair value of biological assets of approximately HK$20.1 million; (iii) the decrease in gain in fair value of derivative component of convertible notes of approximately HK$7.5 million and (iv) the increase in finance cost of approximately HK$15.9 million.

Basic loss per share for the period was HK2.20 cents (six months ended 30th June 2019: approximately HK2.20 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2020 (six months ended 30th June 2019: 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 15 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 turnover, Joyful Right Group recorded a turnover of approximately J$1,092.3 million (approximately HK$65.4 million) for the six months ended 30th June 2020 (six months ended 30th June 2019: approximately J$871.8 million (approximately HK$52.2 million)). Joyful Right Group sold approximately 8,200 tonnes of raw sugar amounting to approximately J$944.2 million (approximately HK$56.5 million) and approximately 9,800 tonnes of molasses amounting to approximately J$148.1 million (approximately HK$8.9 million) for the six months ended 30th June 2020 compared with approximately 7,400 tonnes of raw sugar amounting to approximately J$673.1 million (approximately HK$40.3 million) and approximately 12,500 tonnes of molasses amounting to approximately J$198.7 million (approximately HK$11.9 million) for the same period last year.

The increase in revenue from raw sugar of approximately J$271.1 million (approximately HK$16.2 million) was mainly due to an approximately 26.6% increase in average selling price and an approximately 10.8% increase in sales volume of raw sugar. The increase in average raw sugar price was due to the decrease in world sugar output as the sugar output from India and Thailand were reduced by drought weather which led to a rise in raw sugar prices both locally in Jamaica and in the export market in the first half of 2020 and the depreciation of Jamaican dollar against US dollar also pushed up the local price that denominated in Jamaican dollar too. The increase in sales volume of raw sugar of approximately 800 tonnes was mainly driven up by approximately 1,000 tonnes increase in local sales volume in Jamaica which benefited from the new distribution arrangement entered in Jamaica. Joyful Right Group joined with other sugar factories in Jamaica to delegate the duties of local sales in Jamaica to two exclusive distributors which will uniformly manage the local sales quota of raw sugar among different sugar factories in Jamaica to avoid the vicious competition and price wars among sugar factories and to lobby the Jamaican Government to formulate policies to stop the illicit importation of sugar to protect the local market. The new distribution practice helped to lock in the sales price and increased the stability and volume of local sales in Jamaica during the period.

While the molasses experienced a decrease in revenue during the period of approximately J$50.6 million (approximately HK$3.0 million). This negative impact was fully absorbed by the increase in raw sugar sales and the net change of the overall revenue remained positive during the period. The decrease in sales molasses was mainly due to the decrease in output of molasses during the period for reason of decrease in sugar cane for factory throughput.

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

	Six months ended 30th June					
	2020			2019		
	J$'million	**HK$'million**	**% of Turnover**	J$'Million	HK$'million	% of Turnover
By region						
Jamaica	**813.6**	**48.7**	**74.5**	627.3	37.6	72.0
United States	**278.7**	**16.7**	**25.5**	227.2	13.7	26.3
Caribbean Countries	**–**	**–**	**–**	17.3	0.9	1.7
	1,092.3	**65.4**	**100.0**	871.8	52.2	100.0

As shown in above table, Jamaica remains the principal market for Joyful Right Group. The local sales in Jamaica accounted for approximately 74.5% (six months ended 30th June 2019: approximately 72.0%) of total sales and the export to United States accounted for remaining approximately 25.5% (six months ended 30th June 2019: United States and Caribbean Countries of approximately 28.0%). It is because the average selling price in Jamaica for this period was still higher than that in international market and Joyful Right therefore would fulfill all local demand before export the excess to overseas markets. The overall total export during the period remained in a similar proportion with correspondent period of last year. The decrease in export sales to Caribbean Countries was resulting from the shifting of all export quantity to United States where the export price is higher than that of the Caribbean Countries during the period.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J$321.4 million (approximately HK$19.3 million) for the six months ended 30th June 2020 (six months ended 30th June 2019: approximately J$198.2 million (approximately HK$11.9 million)). The increase in amount of gross profit of approximately J$123.2 million (approximately HK$7.4 million), which increased by approximately 62.2%, was mainly due to the approximately 40.3% increase in sales of raw sugar during the period. The gross profit ratio is increased by approximately 6.7% to approximately 29.4% for the six months ended 30th June 2020 as compared with approximately 22.7% for the same period last year. The increase in gross profit percentage during the period, as explained above, was mainly due to the increase in average price and sale volume of raw sugar by approximately 26.6% and approximately 10.8% respectively during the period.

In terms of net operation results, the Joyful Right Group recorded a net loss of approximately J$1,030.4 million (approximately HK$60.3 million) for the six months ended 30th June 2020 (six months ended 30th June 2019: approximately J$930.6 million (approximately HK$55.2 million)). The approximately J$99.8 million (approximately HK$5.1 million) increase in net loss was mainly due to the combined net negative effect of the positive impacts and the negative impacts. The positive impacts encompassed of (i) an approximately J$123.3 million (approximately HK$7.4 million) increase in gross profit for reason of an approximately 26.6% increase in average selling price and an approximately 10.8% increase in sales volume; (ii) an decrease of approximately of J$463.5 million (approximately HK$27.8 million) in other operating expenses of impairment loss on right-of-use assets that initially recognized in 2019 and (iii) an decrease of approximately of J$16.7 million (approximately HK$1.0 million) in administrative expenses from the effort of cost control. The negative impacts comprised of (i) an approximately J$334.9 million (approximately HK$20.1 million) decrease in fair value loss on biological assets mainly for reason of the approximately 2.1% decrease in area under sugar cane planted by extending the fallow land to restore the land fertility and an approximately 25.4% decrease in maturity of sugar cane mainly because the growth period of sugarcane at the end of December 2019 is longer than that at the end of June 2020; (ii) an decrease in other income and expense of approximately J$12.5 million (approximately HK$0.7 million) for reason of the decrease in material sales and equipment rental from subcontracting harvesters out of the one month shortened of this harvesting period; and (iii) an approximately J$355.9 million (approximately HK$20.5 million) increase in finance costs which mainly related to the increase in translation exchange loss of borrowings as a result of the approximately 7.5% depreciation of Jamaican dollar against US dollar during the period.

Supporting services to sweetener and ethanol business

Business review

The turnover from customers outside the Group for the six months ended 30th June 2020 was HK$ Nil (six months ended 30th June 2019: HK$ Nil). The reason for no revenue during the six months ended 30th June 2020 was because the three years annual cap for the continuing connected transactions from 2019 to 2021 was voted down by independent shareholders on extraordinary general meeting held on 31st May 2019, the supporting service business segment cannot carry out any continuing connected transaction with its customers who presently are all connected parties, therefore, the supporting service business segment does not record any segment revenue during the six months ended 30th June 2020.

The gross profit for the six months ended 30th June 2020 was also HK$ Nil (six months ended 30th June 2019: HK$ Nil). The gross profit ratio after elimination of inter-segment sales was HK$ Nil (six months ended 30th June 2019: HK$ Nil). There was no gross profit because of no turnover from customers outside the Group as explained above.

The operating loss of this segment for the six months ended 30th June 2020 was of approximately HK$2.7 million (six months ended 30th June 2019: approximately HK$7.1 million). The decrease in operating loss of approximately HK$4.4 million was mainly due to the reduction in staff costs by head-count contraction after the downturn in business as explained above.

Ethanol Business

Business review

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

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

The operating loss for the six months ended 30th June 2020 of approximately HK$0.5 million (six month ended 30th June 2019: approximately HK$0.9 million) was mainly relating to the net effect of exchange loss and administration expenses by a subsidiary of the Group for the period.

FINANCIAL REVIEW

Liquidity and Financial Resources Review

Equity

As at 30th June 2020, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (31st December 2019: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2020 amounts to approximately HK$765.7 million (31st December 2019: approximately HK$746.6 million).

Borrowings

As at 30th June 2020, 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$1,062.2 million (31st December 2019: approximately HK$1,052.7 million), of which approximately HK$533.7 million (31st December 2019: HK$533.7 million) was the amount payable on demand to Complant Sugar, approximately HK$500.6 million (31st December 2019: approximately HK$492.0 million) was the amounts due to non-controlling interests and an approximately HK$27.9 million (31st December 2019: approximately HK$27.0 million) was the lease liabilities.

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$765.7 million (31st December 2019: approximately HK$746.6 million), the calculation of gearing ratio as at 30th June 2020 and 31st December 2019 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 30th June 2020 amounted to approximately HK$54.3 million (31st December 2019: approximately HK$63.8 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 deposits and cash balances decreased by approximately HK$9.5 million, of which an approximately HK$1.3 million resulting from the decrease in pledged bank deposits and an approximately HK$8.2 million resulting from the decrease in cash and cash equivalents. The decrease in cash and cash equivalent of approximately HK$8.2 million was brought by (i) the net cash used in operation of approximately HK$7.7 million; (ii) the net cash from investing activities of approximately HK$0.7 million; and (iii) net negative effect of exchange rate change on cash and cash equivalents of approximately HK$1.2 million.

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

Treasury Policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2020.

Foreign Exchange Exposure

The Group's operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2020, turnover was denominated mainly in US dollar and Jamaican dollar while its costs and expenses were primarily in Jamaican dollar and US dollar where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollar. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

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

Pledge of assets

As at 30th June 2020, the Group did not have any pledge of assets. The pledged bank deposit of a subsidiary of approximately J$21.5 million (approximately HK$1.2 million) by a subsidiary of the Group was released in April 2020 when the related bank guarantee of J$20.0 million (approximately HK$1.1 million) had cancelled.

As at 31st December 2019, a bank deposit of a subsidiary of approximately J$21.5 million (approximately HK$1.3 million) was pledged by a subsidiary of the Group to secure against its bank guarantee of J$20.0 million (approximately HK$1.2 million) in Jamaica. The cash collateral account attracts interest at 3.5% for the year ended 31st December 2019.

Capital Commitment

As at 30th June 2020 and 31st December 2019, the Group did not have any significant capital commitments.

EMPLOYEE REMUNERATION POLICY

Remuneration policies

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was approximately HK$20.5 million (six months ended 30th June 2019: approximately HK$25.2 million), of which, approximately HK$19.5 million (six months ended 30th June 2019: approximately HK$19.2 million) was the total staff cost expense in sugar cane growing and sugar manufacturing business in Jamaica. The decrease in staff cost is mainly due to the reduction in staff costs by head-count contraction after the downturn of business segment of the Supporting services to sweetener and ethanol business.

As at 30th June 2020, the Group had 126 full time employees (31st December 2019: 137) and 462 temporary employees (31st December 2019: 450).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

SIGNIFICANT INVESTMENTS HELD

The Group had not made any significant investment during the period ended 2020 and 2019.

PROSPECTS

Sugar business segment

As the confirmed case of COVID-19 in Jamaica is still relatively low, the sugar business segment (with measures to ensure safety of the employees) is still maintaining operation in Jamaica up to the date of this report. The anticipated expansions in world sugar production by countries (following the dramatic fall in crude oil prices resulted in sugar mills using more sugarcane for the production of raw sugar rather than ethanol and the weaker local currencies against US dollar encourages producers to sell their products on the world markets) together with international demand for raw sugar is curbing by the lockdowns measures imposed by many countries to contain the spread of COVID-19 plus the slow return to social and economic activities of many countries. The combined effect on these factors will have negative impact on world sugar price in coming period of year 2020. Furthermore, the expected drop in sugar cane yields accompanying by a smaller area under sugar cane planted and the expected lower sugar extraction rates along with the decrease in sugar cane for factory throughput. These negative factors on inputs will have negative impact on our future output of raw sugar and molasses in coming period of year 2020. The negative impacts may dampen the revenue for the second half of 2020 and made the full year revenue to be lower than that of last year. Currently, markets that are commercially sustainable are the local market in Jamaica, the US and CARICOM markets, our Group will continue through the new distribution agents to lobby the Jamaican Government to implement import restriction measures to limit the illicit importation of sugar of all types into Jamaica to protect our local market and to lobby the Jamaican Government to provide more stimulus packages to local farmers in areas of irrigation and transportation to increase their sugar cane output to compensate for our expected decrease in sugar cane supplying from our own farmland.

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 also may not carry out any business in year 2020 until the market rebound 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June 2020, none of the Directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Company.

SHARE OPTION SCHEME

The Company has, in accordance with Chapter 17 the Listing Rules, adopted a new share option scheme (the "2007 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 20th September 2007. The purpose of the 2007 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees, directors, consultants and advisers of the Group and to promote the success of the Group. The details of the 2007 Share Option Scheme as pursuant to the Listing Rules are set out in the Company's circular dated 3rd September 2007.

As at the end of the reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any rights to subscribe for securities in the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June 2020, as far as is known to the Directors or the chief executive of the Company, the following persons (other than Directors or chief executive of the Company) had interests in shares and underlying shares and debentures of the Company, as recorded in the register required to be kept under section 336 of the SFO:

Long Position in shares

Name	Nature of interests and capacity in which interest are held			Approximate % of the issued share capital
	Beneficial owner (Note 1)	Held by controlled Group	Total	
China National Complete Plant Import & Export Corporation (Group) Limited ("China Complant")	800,000,000	—	800,000,000	36.51
COMPLANT International Sugar Industry Co., Ltd. ("Complant Sugar") (Note 2)	300,000,000	—	300,000,000	13.69

Note 1: State-owned Assets Supervision and Administration Commission (中國國務院國有資產監督管理委員會) holds 100% of the State Development & Investment Corp., Ltd. (國家開發投資集團有限公司) which holds 100% of China Complant which in turn holds 30% in Complant Sugar.

Note 2: Complant Sugar charged the convertible notes of principal amount of HK$533.7 million convertible into 889,500,000 shares representing 40.59% of the issued capital of the Company before its maturity date (the "Outstanding Convertible Note") to China Complant. The Outstanding Convertible Note had matured on 27th February 2019 and it was now an amount payable on demand with Complant Sugar as at 30th June 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June 2020, 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. Shi Zhu and Dr. Lu Heng Henry did not attend the annual general meeting held on 26th June 2020.

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 26th June 2020 due to another business engagement.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's Audit Committee has reviewed the unaudited consolidated interim financial statements for the six months ended 30th June 2020. The audit committee is of the view that the interim results for the six months ended 30th June 2020 was prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

The unaudited consolidated interim financial statements for the six months ended 30th June 2020 was also approved by the Board on 31st August 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

By order of the Board
Liu Yan
Chairman

Hong Kong, 31st August 2020