Hua Lien International (Holding) Company Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 969

# 2023 INTERIM REPORT

# UNAUDITED INTERIM RESULTS

The board of directors (the "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 2023 together with the comparative figures as follow:

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2023

| | Notes | Six months ended 30th June<br>**2023**<br>**(unaudited)**<br>**HK$'000** | <br>2022<br>(unaudited)<br>HK$'000 |
|---|---|---|---|
| Turnover | (3) | **82,396** | 80,759 |
| Cost of sales | | **(53,268)** | (67,258) |
| Gross profit | | **29,128** | 13,501 |
| Changes in fair value of biological assets | (11) | **(10,340)** | (9,852) |
| Other income, net | | **3,712** | 3,405 |
| Administrative expenses | | **(12,568)** | (13,652) |
| Other operating expenses | (4) | **(877)** | (1,783) |
| Finance (costs) income | (5) | **(24,064)** | 7,384 |
| Loss before income tax expense | | **(15,009)** | (997) |
| Income tax expense | (7) | **—** | — |
| Loss for the period | (6) | **(15,009)** | (997) |
| Loss for the period attributable to: | | | |
| Owners of the Company | | **(10,275)** | (103) |
| Non-controlling interests | | **(4,734)** | (894) |
| | | **(15,009)** | (997) |
| | | **HK Cent** | HK Cent |
| **Loss per share** | (8) | | |
| — Basic (cents per share) | | **(0.4689)** | (0.0047) |
| — Diluted (cents per share) | | **(0.4689)** | (0.0047) |

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

For the six months ended 30th June 2023

| | Notes | Six months ended 30th June **2023** **(unaudited)** **HK$'000** | 2022 (unaudited) HK$'000 |
|---|---|---|---|
| Loss for the period | | **(15,009)** | (997) |
| Other comprehensive income (expenses) for the period, net of tax | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operation | | **8,993** | (17,646) |
| Total comprehensive loss for the period | | **(6,016)** | (18,643) |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of the Company | | **(4,650)** | (13,589) |
| Non-controlling interests | | **(1,366)** | (5,054) |
| | | **(6,016)** | (18,643) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2023

| | Notes | **30th June 2023 (unaudited) HK$'000** | 31st December 2022 (audited) HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | (10) | **6,509** | 6,368 |
| Intangible asset | | **—** | — |
| Right-of-use assets | | **—** | — |
| Total non-current assets | | **6,509** | 6,368 |
| Current assets | | | |
| Biological assets — growing cane | (11) | **12,354** | 17,975 |
| Inventories | (12) | **53,666** | 33,299 |
| Trade and other receivables | (13) | **6,200** | 4,664 |
| Bank balances, deposits and cash | (14) | **43,438** | 44,734 |
| Total current assets | | **115,658** | 100,672 |
| Total assets | | **122,167** | 107,040 |
| Current liabilities | | | |
| Trade and other payables | (15) | **553,803** | 551,483 |
| Contract liabilities | | **6,566** | 374 |
| Lease liabilities | (16) | **1,568** | 1,562 |
| Amount due to non-controlling interests | | **596,238** | 582,581 |
| Total current liabilities | | **1,158,175** | 1,136,000 |
| Net current liabilities | | **(1,042,517)** | (1,035,328) |
| Total assets less current liabilities | | **(1,036,008)** | (1,028,960) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

| | Notes | **30th June 2023 (unaudited) HK$'000** | 31st December 2022 (audited) HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Lease liabilities | (16) | **23,140** | 24,172 |
| Net liabilities | | **(1,059,148)** | (1,053,132) |
| Capital and reserves | | | |
| Share capital | (17) | **219,118** | 219,118 |
| Reserves | | **(1,078,476)** | (1,073,826) |
| Capital deficiency attributable to owners of the Company | | **(859,358)** | (854,708) |
| Non-controlling interests | | **(199,790)** | (198,424) |
| Total capital deficiency | | **(1,059,148)** | (1,053,132) |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2023

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Translation reserve HK$'000 | Special reserve (Note) HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Attributable to non-controlling interests HK$'000 | Total HK$'000 |
| At 1st January 2023 (audited) | 219,118 | 708,392 | (11,381) | (25,391) | (1,745,446) | (854,708) | (198,424) | (1,053,132) |
| Loss for the period | – | – | – | – | (10,275) | (10,275) | (4,734) | (15,009) |
| Exchange differences arising on translation of foreign operations | – | – | 5,625 | – | – | 5,625 | 3,368 | 8,993 |
| Total comprehensive loss for the period | – | – | 5,625 | – | (10,275) | (4,650) | (1,366) | (6,016) |
| At 30th June 2023 (unaudited) | 219,118 | 708,392 | (5,756) | (25,391) | (1,755,721) | (859,358) | (199,790) | (1,059,148) |

For the six months ended 30th June 2022

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Translation reserve HK$'000 | Special reserve (Note) HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Attributable to non-controlling interests HK$'000 | Total HK$'000 |
| At 1st January 2022 (audited) | 219,118 | 708,392 | (5,846) | (25,391) | (1,711,820) | (815,547) | (173,406) | (988,953) |
| Loss for the period | – | – | – | – | (103) | (103) | (894) | (997) |
| Exchange differences arising on translation of foreign operations | – | – | (13,486) | – | – | (13,486) | (4,160) | (17,646) |
| Total comprehensive loss for the period | – | – | (13,486) | – | (103) | (13,589) | (5,054) | (18,643) |
| At 30th June 2022 (unaudited) | 219,118 | 708,392 | (19,332) | (25,391) | (1,711,923) | (829,136) | (178,460) | (1,007,596) |

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 2023

| | Six months ended 30th June 2023 (unaudited) HK$'000 | 2022 (unaudited) HK$'000 |
|---|---|---|
| Operating income before working capital changes | **11,089** | 12,091 |
| Decrease in biological assets | **5,373** | 938 |
| Increase in inventories | **(19,875)** | (12,914) |
| Increase (decrease) in trade and other receivables | **(1,560)** | 1,200 |
| Increase (decrease) in trade and other payables | **2,045** | (21,872) |
| Increase in contract liabilities | **6,192** | 14,468 |
| Net cash generated from (used in) operating activities | **3,264** | (6,089) |
| Cash flow from investing activities | | |
| Acquisition of property, plant and equipment | **(2,126)** | (2,668) |
| Interest received | **40** | 53 |
| Net cash used in investing activities | **(2,086)** | (2,615) |
| Cash flow from financing activities | | |
| Payment of lease liabilities | **(2,104)** | (2,111) |
| Net cash used in financing activities | **(2,104)** | (2,111) |
| Net decrease in cash and cash equivalents | **(926)** | (10,815) |
| Cash and cash equivalents at the beginning of the period | **44,734** | 81,162 |
| Effect of foreign exchange rate changes | **(370)** | 2,870 |
| Cash and cash equivalents at the end of the period | **43,438** | 73,217 |
| Analysis of the balance of cash and cash equivalents | | |
| Current bank balances and cash | **43,438** | 73,217 |
| Short-term fixed deposits mature within three months | **—** | — |
| | **43,438** | 73,217 |

# 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 2023 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 2022, 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. The Group incurred a consolidated net loss of approximately HK$15,009,000 during the period (six months ended 30th June 2022: approximately HK$997,000) and as of that date, the Group had net current liabilities and net liabilities of approximately HK$1,042,517,000 (31st December 2022: approximately HK$1,035,328,000) and approximately HK$1,059,148,000 (31st December 2022: approximately HK$1,053,132,000) respectively. These conditions may cast significant doubt about the Group's ability to continue as a going concern.

In view of these circumstances and for the purpose of assessing the appropriateness of the use of the going concern basis in the preparation of the unaudited condensed consolidated interim financial statements, the directors have reviewed a cash flow forecast ("Forecast") covering a period of 12-month. The Forecast had given careful considerations to the future liquidity and performance of the Group and its available sources of finance and also 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 28th December 2021 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$525,889,000 until 31st December 2023 (the "Extended Period");

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

**Going concern basis** *(Continued)*

(b) Complant Sugar has undertaken to provide continuing financial support and will not recall any of the amount due to it 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; and

(c) The Company will take the Extended Period to improve its business performance to enable the Company to bargain for more favourable terms when restructuring the loan.

Assuming the successful implementation of the above measures, the directors were of the opinion that the Group would have sufficient financial resources to finance the operations and meet its financial obligations as and when they fall due. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis notwithstanding that a material uncertainty exists related to the above conditions that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their net realisable 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 statements 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 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December 2022.

### (a) New and amended standards adopted by the Group

In the current interim period, the Group has applied for the first time the following new or revised HKFRSs that are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1st January 2023.

| | |
|---|---|
| HKFRS 17 | Insurance Contracts |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International tax reform — Pillar Two model rules |

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The HKICPA has also issued a new HKICPA guidance on the accounting implications of the mandatory provident fund ("MPF")-long service payment ("LSP") offsetting mechanism in July 2023. As the Group is in the progress of making an assessment, further impacts may be identified in due course.

## 3. TURNOVER AND SEGMENT INFORMATION

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

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

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

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

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

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

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

The following 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 2023** | | | | |
| Segment revenue from contracts with customers | | | | |
| **Segment revenue** | – | 82,396 | – | 82,396 |
| Inter-segment sales | – | – | – | – |
| Segment revenue from external customers | – | 82,396 | – | 82,396 |
| **Segment results** | 881 | (16,748) | 789 | (15,078) |
| Unallocated corporate income, net | | | | 69 |
| Loss before income tax | | | | (15,009) |
| **At 30th June 2023** | | | | |
| Assets and liabilities | | | | |
| **Segment assets** | 7,065 | 89,527 | 7,925 | 104,517 |
| Corporate and other unallocated assets | | | | 17,650 |
| Total assets | | | | 122,167 |
| **Segment liabilities** | 8,784 | 645,272 | – | 654,056 |
| Corporate and other unallocated liabilities | | | | 527,259 |
| Total liabilities | | | | 1,181,315 |

## 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 2022** | | | | |
| Segment revenue from contracts with customers | | | | |
| **Segment turnover** | – | 80,759 | – | 80,759 |
| Inter-segment sales | – | – | – | – |
| Sales to external customers | – | 80,759 | – | 80,759 |
| **Segment results** | 2,294 | (4,684) | (769) | (3,159) |
| Unallocated corporate income, net | | | | 2,162 |
| Loss before tax | | | | (997) |
| **At 31st December 2022** | | | | |
| Assets and liabilities | | | | |
| **Segment assets** | 7,053 | 73,602 | 9,226 | 89,881 |
| Corporate and other unallocated assets | | | | 17,159 |
| Total assets | | | | 107,040 |
| **Segment liabilities** | 8,730 | 624,023 | – | 632,753 |
| Corporate and other unallocated liabilities | | | | 527,419 |
| Total liabilities | | | | 1,160,172 |

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

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

## 3. 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 other payables and accrued liabilities of head office.

### Other reportable segment information

| **Six months ended 30th June 2023** | **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 result for segment assets:** | | | | |
| Additions to property, plant and equipment | **–** | **2,125** | **–** | **2,125** |
| Depreciation | **–** | **1,095** | **2** | **1,097** |
| Impairment loss on property, plant and equipment | **–** | **768** | **–** | **768** |
| Impairment loss on trade receivables | **109** | **–** | **–** | **109** |

| Six months ended 30th June 2022 | 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:** | | | | |
| Additions to property, plant and equipment | – | 2,668 | – | 2,668 |
| Depreciation | 1 | 1,166 | 2 | 1,169 |
| Impairment loss on property, plant and equipment | – | 1,481 | – | 1,481 |
| Impairment loss on trade receivables | 302 | – | – | 302 |
| Provision for slow-moving inventory | – | 7,802 | – | 7,802 |

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

### Geographic Information

***Revenue from external customers***

| | Six months ended 30th June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Jamaica | **82,396** | 70,353 |
| The United States | **—** | 10,406 |
| | **82,396** | 80,759 |

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

***Non-current assets***

| | 30th June | 31st December |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (audited) |
| | **HK$'000** | HK$'000 |
| Jamaica | **6,502** | 6,359 |
| The People's Republic of China | **7** | 7 |
| African Countries | **—** | 2 |
| | **6,509** | 6,368 |

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

## 4. OTHER OPERATING EXPENSES

| | Six months ended 30th June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Impairment loss on property, plant and equipment | **768** | 1,481 |
| Impairment loss on trade receivables | **109** | 302 |
| | **877** | 1,783 |

## 5. FINANCE (COSTS) INCOME

| | Six months ended 30th June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Interest on amounts due to non-controlling interests | **(11,514)** | (9,439) |
| Interest on lease liabilities | **(981)** | (974) |
| Exchange (loss)/gain | **(11,569)** | 17,797 |
| | **(24,064)** | 7,384 |

## 6. LOSS FOR THE PERIOD

| | Six months ended 30th June | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | **HK$'000** | HK$'000 |
| Loss for the period has been arrived at after charging: | | |
| Cost of inventories | **53,268** | 59,456 |
| Write-down on inventory of spare parts for property, plant and equipment | **–** | 7,802 |
| Depreciation of property, plant and equipment | **1,097** | 1,169 |
| Short-term leases expenses | **333** | 389 |
| Loss on disposal of property, plant and equipment | **16** | 5 |

## 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$10,275,000 (six months ended 30th June 2022: approximately HK$103,000), and the weighted average number of 2,191,180,000 (30th June 2022: 2,191,180,000) ordinary shares in issue during the period.

No diluted earnings per share is calculated for both the six months period ended 30th June 2023 and 30th June 2022 as there was no potential diluted ordinary share in existence.

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2023 (six months ended 30th June 2022: Nil).

## 10. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$2,125,000 (six months ended 30th June 2022: approximately HK$2,668,000) on acquisition of property, plant and equipment.

## 11. BIOLOGICAL ASSETS — GROWING CANE

| | **30th June 2023 (unaudited) HK$'000** | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Opening balance | **17,975** | 18,719 |
| Cane cultivation cost capitalised | **35,392** | 56,045 |
| Decrease in fair value of cane harvested | **(30,425)** | (40,622) |
| Change in fair value | **(10,340)** | (16,487) |
| Exchange realignment | **(248)** | 320 |
| Closing balance | **12,354** | 17,975 |

The decrease in fair value of growing cane for the period ended of approximately HK$10,340,000 (six months ended 30th June 2022: approximately HK$9,852,000) was reflected in the profit or loss.

## 12. INVENTORIES

| | 30th June 2023 (unaudited) HK$'000 | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Consumables and components | **52,586** | 54,707 |
| Goods in transit | **15** | 15 |
| Sugar and molasses | **28,845** | 6,794 |
| | **81,446** | 61,516 |
| Write-down | **(27,780)** | (28,217) |
| Net realizable value | **53,666** | 33,299 |

At 30th June 2023, the sugar and molasses consisted of 5,116 tonnes (31st December 2022: 625 tonnes) of raw sugar and 49 tonnes (31st December 2022: 1,350 tonnes) of molasses with carrying amounts of approximately HK$28,808,000 (31st December 2022: approximately HK$5,305,000) and HK$37,000 (31st December 2022: approximately HK$1,489,000) respectively.

For the six months ended 30th June 2023, the Group made no provision for write-down on inventory of spare parts for property, plant and equipment ("Write-down") (six months ended 30th June 2022: approximately HK$7,802,000). Movements in Write-down during the period was as follows:

| | 30th June 2023 (unaudited) HK$'000 | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Balance at beginning of the period/year | **28,217** | 17,889 |
| Write-down | **—** | 10,011 |
| Exchange realignment | **(437)** | 317 |
| Balance at the end of the period/year | **27,780** | 28,217 |

## 13. TRADE AND OTHER RECEIVABLES

| | 30th June 2023 (unaudited) HK$'000 | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Trade receivables | **48,565** | 47,767 |
| Less: Impairment loss | **(45,746)** | (45,637) |
| | **2,819** | 2,130 |
| Prepayments | **2,170** | 1,617 |
| Other receivables and deposits | **1,211** | 917 |
| | **6,200** | 4,664 |

The Group does not hold any collateral over these balances.

The Group allows a credit period of 90-365 days (31st December 2022: 90-365 days) to its customers of Supporting services, 30 days (31st December 2022: 30 days) to customers of raw sugar trading and 60 days (31st December 2022: 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 2023 (unaudited) HK$'000 | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| 0 — 30 days | **15** | 309 |
| 31 — 60 days | **812** | 64 |
| 61 — 90 days | **858** | 5 |
| 91 — 365 days | **153** | 451 |
| > 365 days | **46,727** | 46,938 |
| | **48,565** | 47,767 |

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 2023 and 31st December 2022 respectively.

## 14. BANK BALANCES, DEPOSITS AND CASH

| | 30th June 2023 (unaudited) HK$'000 | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Bank balances and cash | **43,120** | 44,416 |
| Short-term fixed deposits mature within three months | **318** | 318 |
| Cash and cash equivalents | **43,438** | 44,734 |

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

## 15. TRADE AND OTHER PAYABLES

| | 30th June 2023 (unaudited) HK$'000 | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Trade payables | **11,231** | 6,768 |
| Other payables and accrued liabilities | **542,572** | 544,715 |
| | **553,803** | 551,483 |

Trade payables credit period granted by trade creditors of Supporting services is 0-365 days (31st December 2022: 0-365 days) while credit period granted by trade creditors of Sugar business is 30 days (31st December 2022: 30 days).

## 15. TRADE AND OTHER PAYABLES *(Continued)*

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

| | **30th June 2023 (unaudited) HK$'000** | 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Not yet due | **179** | 1,569 |
| Overdue 1 — 90 days | **8,559** | 3,463 |
| Overdue 91 -180 days | **1,557** | 1,219 |
| Overdue 181 — 365 days | **656** | 200 |
| Overdue > 365 days | **280** | 317 |
| | **11,231** | 6,768 |

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 2023 and 31st December 2022, included in other payables and accrued liabilities of was as amount due to Complant Sugar of approximately HK$525,889,000 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 2023 | At 31st December 2022 |
|---|---|---|---|---|
| | 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 | **2,104** | **536** | **1,568** | 1,562 |
| After one but within two years | **2,104** | **751** | **1,353** | 1,451 |
| After two but within five years | **6,313** | **2,803** | **3,510** | 3,765 |
| More than five years | **67,435** | **49,158** | **18,277** | 18,956 |
| | **75,852** | **52,712** | **23,140** | 24,172 |
| | **77,956** | **53,248** | **24,708** | 25,734 |

The present value of future lease payments were analysed as:

| | At 30th June 2023 (unaudited) HK$'000 | At 31st December 2022 (audited) HK$'000 |
|---|---|---|
| Current liabilities | **1,568** | 1,562 |
| Non-current liabilities | **23,140** | 24,172 |
| | **24,708** | 25,734 |

## 17. SHARE CAPITAL

| | Number of shares '000 | Value HK$'000 |
|---|---|---|
| Ordinary share of HK$0.1 each | | |
| Authorised: | | |
| As at 31st December 2022 (audited) and 30th June 2023 (unaudited) | 6,000,000 | 600,000 |
| Issued and fully paid: | | |
| As at 31st December 2022 (audited) and 30th June 2023 (unaudited) | 2,191,180 | 219,118 |

## 18. CAPITAL COMMITMENTS

As at 30th June 2023 and 31st December 2022, the Group did not have any significant capital commitments.

## 19. RELATED PARTY TRANSACTIONS AND BALANCES

Other than disclosed elsewhere in the unaudited condensed consolidated interim financial statements, the transactions for the period and balances at 30th June 2023 with consolidated related parties are as follows:

### (a) Transaction with related parties:

| | **Six months ended 30th June** | |
|---|---|---|
| | **2023 (unaudited) HK$'000** | 2022 (unaudited) HK$'000 |
| **Exempted Continuing Connected Transaction** | | |
| Rental and building management fee paid to China Complant and its wholly subsidiary, COMPLANT Hong Kong Limited | **333** | 370 |

## 19. RELATED PARTY TRANSACTIONS AND BALANCES *(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. The decrease in rental and building management fee paid during the period was mainly due to the decrease in office chargeable rental during the period.

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 2023 and 2022.

### (b) Trade and other receivables and trade and other payable of related parties

During the six months ended 30th June 2023 and 31st December 2022, the Group did not have any trade and other receivables and trade and other payable of related parties.

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

Directors are regarded the only key management personnel of the Company. During the six months ended 30th June 2023 and 2022, there were no remuneration of key management personnel became due and accrued.

## 20. PLEDGE OF ASSETS

As at 30th June 2023 and 31st December 2022, the Group did not have any pledge of assets.

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that those carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

## OVERALL PERFORMANCE

For the six months ended 30th June 2023, the turnover of the Group increased by approximately 2.0% to approximately HK$82.4 million (six months ended 30th June 2022: approximately HK80.8 million).

The amount of overall gross profit for the period increased by approximately HK$15.6 million to approximately HK$29.1 million (six months ended 30th June 2022: approximately HK$13.5 million) and the overall gross profit percentage increased by about 18.6% to approximately 35.3% (six months ended 30th June 2022: approximately 16.7%). As further elaborated below, such increase of gross profit in amount and percentage was mainly due to the increase in the average selling prices.

The loss for the period increased by approximately HK$14.0 million to approximately HK$15.0 million (six months ended 30th June 2022: approximately HK$1.0 million). As further elaborated below, the increase in loss before taxation was mainly due to the net combined effect of positive impacts and negative impact and the positive impacts which included: (i) an increase in gross profit of approximately HK$15.6 million owing to the approximately 18.6% increase in gross margin from the increase in average selling prices of raw sugar and molasses; (ii) an increase in other income of approximately HK$0.3 million mainly from increase in sales of materials to sub-contractors and scrap metal sales; (iii) a decrease in administrative expenses of approximately HK$1.1 million mainly as a result of the decrease in the freight cost in associate with the drop in export sales; (iv) an decrease in other expense of approximately HK$0.9 million for the decrease in impairment loss of cane root; as well as the negative impacts which included (v) an increase of approximately HK$0.5 million in loss in fair value of biological assets; and (vi) an increase of approximately HK$31.4 million in finance cost mainly by virtue of the approximately HK$29.4 million increase in unrealised foreign exchange loss arising from the decline in value of functional currencies of subsidiaries relative to the US dollar during the period.

Basic loss per share for the period was approximately HK0.47 cent (six months ended 30th June 2022: approximately HK0.01 cent).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2023 (six months ended 30th June 2022: 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$1,612.4 million (approximately HK$82.4 million) for the six months ended 30th June 2023 (six months ended 30th June 2022: approximately J$1,596.0 million (approximately HK$80.8 million)). Joyful Right Group sold approximately 6,270 tonnes of raw sugar amounting to approximately J$1,305.4 million (approximately HK$66.7 million) and approximately 10,900 tonnes of molasses amounting to approximately J$307.0 million (approximately HK$15.7 million) for the six months ended 30th June 2023 compared with approximately 8,100 tonnes of raw sugar amounting to approximately J$1,285.5 million (approximately HK$65.1 million) and approximately 13,700 tonnes of molasses amounting to approximately J$310.5 million (approximately HK$15.7 million) for the same period last year.

The above approximately 2.0% increase in total revenue was mainly contributing from the approximately J$16.4 million (approximately HK$1.6 million) increase in raw sugar revenue. The increase in raw sugar revenue was the combined result of the approximately 30.6% increase in average selling price and of the approximately 22.2% decrease in sales volume of raw sugar. On the one hand, the approximately 30.6% increase in average sugar price of raw sugar was due to the fall in world sugar output for the fourth consecutive year after unfavourable weather conditions negatively affected the sugar production in some of the key sugar producing countries and the world production still fall below global consumption and resulting in a tight global sugar balance and an upward pressure on prices and furthermore the increase of sales mix percentage of higher price 20kg small-pack sugar from approximately 23.6% of total sales for the six months of 2022 to approximately 33.0% for the six months of 2023. On the other hand, the approximately 1,800 tonnes (approximately 22.2%) decrease in sales volume of raw sugar was mainly due to the decrease in production volume. Joyful Right Group produced approximately 10,800 tonnes of raw sugar and approximately 9,600 tonnes of molasses for the six months ended 2023 by crushing input of sugar cane of approximately 165,800 tonnes compared with approximately 11,100 tonnes of raw sugar and approximately 12,600 tonnes of molasses for the six months ended 2022 by crushing input of sugar cane of approximately 211,700 tonnes. The approximately 300 tonnes (approximately 2.5%) and 3,000 tonnes (approximately 23.5%) respectively decrease in production volume of raw sugar and molasses were caused by the decrease in sugar cane input of approximately 45,900 tonnes (approximately 21.7%). Such decrease in sugar cane input was because (i) the rising in input cost of labour cost, fertilizers and pesticides made the sugar cane farmers to shrank such farm inputs and consequently resulted in lower output quantity of sugar cane; (ii) the impact by the Covid-19 reduced the new cane planting activities on farmland in previous two years which have reduced the sugar cane output yield per hectare in current year; and (iii) the recovery of local economy post Covid-19 sucked out sugar cane cutting workers as a result of which the daily supply of sugar cane cutting workers in harvesting season reduced from 350 workers to 210 workers that significantly reduced the quantity of harvested sugar cane. This drop in sugar cane input had led to the sales volume of raw sugar and molasses to be decreased by approximately 22.2% and approximately 26.1% respectively but the approximately 30.6% and approximately 33.8% increase in the average price of raw sugar and molasses respectively had wholly neutralized these negative effects of the drop in sales volume and thus the overall total revenue could still slightly increase by approximately 2.0% during the period under review.

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

| | Six months ended 30th June | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **J$'million** | **HK$'million** | **% of Turnover** | J$'Million | HK$'million | % of Turonver |
| By region | | | | | | |
| Jamaica | **1,612.4** | **82.4** | **100.0** | 1,390.3 | 70.4 | 87.1 |
| United States | **–** | **–** | **–** | 205.7 | 10.4 | 12.9 |
| | **1,612.4** | **82.4** | **100.0** | 1,596.0 | 80.8 | 100.0 |

Jamaica remains the principal market for Joyful Right Group. The domestic sales in Jamaica accounted for 100.0% (six months ended 30th June 2022: approximately 87.1%) of total sales and the export to United States accounted for approximately 0.0% (six months ended 30th June 2022: approximately 12.9%). The change in sales mix was mainly due to the effect of reduction in competition from the closure of more sugar mills in Jamaica (like Golden Grove Factory in 2019 and Appleton Estate Sugar Factory in 2020). This reduction in competition resulted in the decrease in supply that contributed to the rise in sales volume of the domestic sales in Jamaica. Furthermore, the average selling price in Jamaica for this period was still higher than that in international markets. As production output fell by, the raw sugar produced during the period was only sufficient to fulfill the demand of local market in Jamica and there are no excess surplus for export to United States during the period under review.

In terms of gross trading results, the Joyful Right Group recorded a gross profit of approximately J$570.0 million (approximately HK$29.1 million) for the six months ended 30th June 2023 (six months ended 30th June 2022: approximately J$266.8 million (approximately HK$13.5 million)). The increase in amount of gross profit of approximately J$303.2 million (approximately HK$15.6 million). The gross profit ratio is increased by approximately 18.6% to approximately 35.3% for the six months ended 30th June 2023 as compared with approximately 16.7% for the same period last year. The approximately 18.6% increase in gross profit percentage during the period was mainly because the approximately 31.9% and approximately 25.1% respective increase in average selling prices of raw sugar and molasses. In term of raise in average price of raw sugar of approximately 31.9%, out of which approximately 18.4% contributed by raise in quota price and of which approximately 13.5% contributed by the improvement in sale mix of higher gross margin price during the period.

In term of net operation results, this segment recorded a net loss of approximately J$314.0 million (approximately HK$16.7 million) for the six months ended 30th June 2023 (six months ended 30th June 2022: approximately J$53.0 million (approximately HK$4.7 million)). The approximately J$261.0 million (approximately HK$12.0 million) increase in net loss was mainly due to combined effect of following positive impacts and negative impacts.

Those positive impacts on net operation results included the (i) an increase in gross profit of approximately J$303.3 million (approximately HK$15.6 million) owing to the approximately 18.6% increase in gross margin from the increase in average selling prices of raw sugar and molasses; (ii) an increase of other income of approximately J$4.6 million (approximately HK$0.5 million) mainly from increase in sales of materials to sub-contractors and increase in sales of scrap metal; (iii) the decrease in other expenses of approximately J$13.3 million (approximately HK$0.7 million) for the decrease in impairment of cane root; (iv) a decrease in administrative expenses of approximately J$18.4 million (approximately HK$0.8 million) as a result of the decrease in the freight cost in associate with the drop in export sales; and

Those negative impacts on net operation results included the (v) an increase of approximately J$7.6 million (approximately HK$0.5 million) in loss in fair value of biological assets; and (vi) an increase of approximately J$593.0 million (approximately HK$29.1 million) in finance cost mainly by virtue of the increase in unrealised foreign exchange loss arising from the decline in value of functional currency relative to the 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 2023 was HK$ Nil (six months ended 30th June 2022: HK$ Nil). The reason for no revenue during the six months ended 30th June 2023 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 services business segment cannot carry out any continuing connected transaction with its customers who presently are all connected parties, therefore, the supporting services business segment does not record any segment revenue during the six months ended 30th June 2023.

The gross profit for the six months ended 30th June 2023 was also HK$ Nil (six months ended 30th June 2022: HK$ Nil). The gross profit ratio after elimination of inter-segment sales was HK$ Nil (six months ended 30th June 2022: HK$ Nil). There was no gross profit because of no turnover from customers outside the Group as explained above.

The net operating profit of this segment for the six months ended 30th June 2023 was of approximately HK$0.8 million (six months ended 30th June 2022: approximately HK$2.3 million). The net operating profit of approximately HK$0.8 million for the six months ended 30th June 2023 was mainly due to the net exchange gain on the translation of foreign currencies.

## 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 net operating profit of this segment for the six months ended 30th June 2023 was of approximately HK$0.8 million (six month ended 30th June 2022: the net operating loss of approximately HK$0.8 million). The net operating profit for the six months ended 30th June 2023 was due to the net exchange gain on the translation of foreign currencies.

## FINANCIAL REVIEW

### Liquidity and Financial Resources Review

### Equity

As at 30th June 2023, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (31st December 2022: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 30th June 2023 amounts to approximately HK$859.4 million (31st December 2022: approximately HK$854.7 million).

### Borrowings

As at 30th June 2023, 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$1,146.8 million (31st December 2022: approximately HK$1,134.2 million), of which approximately HK$525.9 million (31st December 2022: approximately HK$525.9 million) was the amount payable on demand to Complant Sugar, approximately HK$596.2 million (31st December 2022: approximately HK$582.6 million) was the amounts due to non-controlling interests and an approximately HK$24.7 million (31st December 2022: approximately HK$25.7 million) was the lease liabilities.

## Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$859.4 million (31st December 2022: approximately HK$854.7 million), the calculation of gearing ratio as at 30th June 2023 and 31st December 2022 were inappropriate.

## Financial Resources

Bank deposits and cash balances as at 30th June 2023 amounted to approximately HK$43.4 million (31st December 2022: approximately HK$44.7 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$1.3 million, of which (i) the net cash inflow from operating activities of approximately HK$3.3 million; (ii) the net cash used in investing activities of approximately HK$2.1 million; (iii) the net cash outflow from finance activities of approximately HK$2.1 million; and (iv) net negative effect of exchange rate change on cash and cash equivalents of approximately HK$0.4 million.

In view of net loss and capital deficiency positions of the Group, the management had implemented the measures, among others, to secure a letter of support from Complant Sugar not to recall any of the amount due to it until the Group is able to pay its other creditors in the normal course of business as well as to carry out various cost control measures and budgetary controls in order to mitigate the Group's liquidity pressure and to improve the conditions of cash flow. In light of such implemented measures and the Group's cash flow projections, the management and also the Board were satisfied that the Group's ability to continue to finance its business operations with the internally generated finance resources.

## 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 2023.

## Foreign Exchange Exposure

The Group operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2023, turnover was denominated mainly in US dollar and Jamaican dollar while its costs and expenses were primarily in Jamaican dollar and US dollar where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollar. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

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

## Pledge of assets

As at 30th June 2023 and 31st December 2022, the Group did not have any pledge of assets.

## Capital Commitment

As at 30th June 2023 and 31st December 2022, 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$26.9 million (six months ended 30th June 2022: approximately HK$24.9 million), of which, approximately HK$26.3 million (six months ended 30th June 2022: approximately HK$24.2 million) was the total staff cost expense in sugar cane growing and sugar manufacturing business in Jamaica. The increase in staff cost was to cope the additional workload for factory plant and equipment maintenance.

As at 30th June 2023, the Group had 127 full time employees (31st December 2022: 137) and 491 temporary employees (31st December 2022: 525).

# 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 2023 and 2022.

## PROSPECTS

### Sugar business segment

The International sugar prices are foreseen to fall from current high levels amid an improvement in global export availability in most part attributable to the increase in forecasted output in Brazil. Locally, after re-negotiation with the Sugar Administration and other sugar factories in Jamaica, the sales price in Jamaica will further raise again in July 2023. Therefore, Joyful Right Group will continue to focus on fulfilling local demand in Jamaica first. The escalating input costs especially labour cost, fertilizers, pesticides, herbicide and fuels will still reduce the quantity of sugar cane available for processing and therefore the production output is still expected to be lower than last year. This may cause a downward pressure revenue, gross profit and operating margins for the second half of the year.

The Jamaican government will continue to provide support for the local sugar industry. The main aspects are as follows: (i) providing about J$50.0 million for road maintenance in sugarcane fields yearly; (ii) strictly restricting the raw sugar import to Jamaica to protect the local sugar industry; (iii) providing sugar cane freight subsidies to some specified sugar cane farmers to support their delivery of their sugarcane to sugar mills process; and (iv) maintaining the Caribbean Sugar Alliance, countries in the Caribbean should be given priority to importing sugar from other sugar-producing countries in the region which is maintaining a protected market places among member countries.

On aspect of factory operation, the maintenance work of factories and agricultural machinery and equipment will enhance to reduce equipment failures in the crushing season, and ensure the continuous operation of the factory to improve raw sugar and molasses output. While, on aspect of agricultural operation, the field management of the farm will enhance to improve the quality and quantity of sugar cane. It includes the grass control, formulating a sugarcane cutting plan and recruiting suitable sugar cane cutting workers in advance to ensure that sugar cane can be harvested timely and provide a constant and steady supply to the factory for processing in the cropping season.

### Supporting service segment

The Group expects that Sino-Africa Technology & Trading Limited will continue to suspend those continuing connected transactions with connected parties in second half of 2023.

The supporting service segment will continue to control the cash outflows through maintaining key employee in concurrent post and keeping a small office.

### Ethanol business segment

For the Group's ethanol biofuel business, the construction of ethanol plant will continue to suspend in second half of 2023, pending for appropriate alternate business plan for this operation.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th June 2023, 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 2023, 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

| | Nature of interests and capacity in which interest are held | | | | |
|---|---|---|---|---|---|
| **Name** | **Beneficial owner** (Note 1) | **Held by spouse** | **Held by controlled group** | **Total** | **Approximate % of the issued share capital** |
| 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 |
| Mr. Hu Yebi (Note 3) | – | 3,448,000 | 212,495,083 | 215,943,083 | 9.86 |

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 2022.

Note 3: Mr. Hu Yebi, former executive Director, and his spouse, Ms. Li Ling Xiu are deemed (by virtue of the SFO) to be interested in 215,943,083 Shares, among these 215,943,083 shares, as to 3,448,000 Shares held by Ms. Li Ling Xiu and as to 212,495,083 shares held by Hollyview International Limited, a company beneficially owned by Mr. Hu Yebi.

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June 2023, 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 C.1.8

Under the code provision C.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 with intent to purchase the relevant liability insurance for Directors within 2023.

### Code Provision C.2.1 and C.2.4

Under the code provision C.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 code provision C.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 C.1.6

Under the code provision C.1.6, 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 29th June 2023.

### Code Provision F.2.2

Under the code provision F.2.2, the chairman of the Board should attend the annual general meeting. Mr. Zhang Zhaogang, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 29th June 2023 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 2023. The audit committee is of the view that the unaudited consolidated interim results for the six months ended 30th June 2023 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 2023 was also approved by the Board on 31st August 2023.

## 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
**Hua Lien International (Holding) Company Limited**
**Zhang Zhaogang**
*Chairman*

Hong Kong, 31st August 2023