Hua Lien International (Holding) Company Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 969

2018
ANNUAL REPORT

Contents

Corporate Information

Executive Directors

Mr. LIU Xueyi
Mr. HAN Hong
Mr. WANG Zhaohui

Non-Executive Directors

Ms. LIU Yan *(Chairman)*
Mr. ZHANG Jian

Independent Non-Executive Directors

Mr. CHENG Tai Kwan Sunny
Mr. SHI Zhu
Dr. LU Heng Henry

Company Secretary

Mr. WAN Hok Shing, *FCPA, FCCA, CICPA, ACS, ACIS, CFA*

Registered Office

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Cayman Islands
British West Indies

Principal Place of Business in Hong Kong

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World-Wide House,
19 Des Voeux Road Central,
Central,
Hong Kong

Auditor

BDO Limited
Certified Public Accountants

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited

Cayman Islands Principal Share Registrar and Transfer Office

The Harbour Trust Co. Ltd.
One Capital Place
P.O. Box 1787
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
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Website

http://www.irasia.com/listco/hk/hualien/index.htm

Chairman's & Management Discussion and Analysis

Business Review

Overall Performance

For the year ended 31st December 2018, the revenue of the Group decreased by approximately 44.1% to approximately HK$134.5 million (2017: approximately HK$240.5 million). The decrease in revenue of approximately HK$106.0 million in 2018 was caused by the approximately HK$98.7 million decrease in revenue from the supporting service business segment and the approximately HK$7.3 million decrease in revenue from the sugar business segment.

The gross profit decreased by approximately HK$66.2 million to gross loss of approximately HK$9.0 million (2017: gross profit of approximately HK$57.2 million). The gross profit percentage decreased by approximately 30.5% to gross loss percentage of approximately 6.7% (2017: gross profit percentage of approximately 23.8%). As further elaborated below, the decrease in gross profit percentage was mainly due to the decrease in revenue of the supporting service business segment and the decrease of average selling prices of the sugar business segment.

The loss before taxation decreased by approximately HK$8.1 million to approximately HK$93.2 million (2017: approximately HK$101.3 million). The decrease in loss before taxation was mainly due to the net effects of the positive impacts which included (i) the decrease in impairment loss on property, plant and equipment and the amortization and impairment loss of intangible assets for a total of approximately HK$101.1 million; (ii) the increase other income of approximately HK$2.8 million and (iii) the increase in gain from changes in fair value of derivative component of convertible notes of approximately HK$21.6 million, and the negative impacts which included (iv) the decrease in gross profit of approximately HK$66.2 million; (v) the decrease in gain from change in fair value of biological assets of approximately HK$6.4 million (vi) the increase of administrative expense of approximately HK$20.3 million; and (vii) and the increase of finance expense of approximately HK$24.4 million.

Basic loss per share for the year was approximately HK3.24 cents (2017: approximately HK4.20 cents).

The Directors do not recommend the payment of a dividend for the year ended 31st December 2018 (2017: Nil).

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica

Business review

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

Overall Performance *(Continued)*

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica *(Continued)*

Business review (Continued)

For the revenue, Joyful Right Group recorded a revenue of approximately J$2.2 billion for 2018 (approximately HK$134.5 million) (2017: approximately J$2.3 billion (approximately HK$141.8 million)). The revenue from the sugar business segment is relatively stable and only record a slight decrease of approximately J$0.1 billion (approximately HK$7.3 million) for the year ended 31 December 2018. The sales volume of raw sugar and molasses was increased approximately by 5,200 ton of sugar (about 25.3%) and approximately 7,800 ton of molasses (about 56.3%) respectively as compared with that in 2017 for reason of the resumption of the operation of Monymusk Sugar Factory in 2018. Joyful Right Group produced approximately 28,400 tonnes of raw sugar and 21,300 tonnes of molasses in 2018 by crushing input of sugar cane of approximately 397,200 tonnes compared with approximately 18,800 tonnes of raw sugar and 12,800 tonnes of molasses in 2017 by crushing input of sugar cane of approximately 241,300 tonnes. As further elaborated below, the increase in sales volume was neutralized by the decrease in the average unit selling prices of raw sugar and molasses of approximately 27.4% and 2.2% respectively in 2018, resulting in the revenue of the sugar business segment slightly decreased by approximately J$0.1 billion (approximately HK$7.3 million) in 2018.

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

	2018			2017		
	J$'million	**HK$'million**	**% of Revenue**	J$'million	HK$'million	% of Revenue
By region						
Jamaica	**1,580.7**	**96.3**	**71.6**	1,948.1	121.2	85.4
European countries	**348.9**	**21.2**	**15.8**	316.2	19.7	13.9
Caribbean countries	**–**	**–**	**–**	15.0	0.9	0.7
U.S.A.	**278.8**	**17.0**	**12.6**	–	–	–
	2,208.4	**134.5**	**100.0**	2,279.3	141.8	100.0

In 2018, Joyful Rights decreased the local sales in Jamaica from approximately 85.4% to approximately 71.6% and increased the overseas sales from approximately 14.6% to approximately 28.4%. In 2018, there was an increase in overseas sales of 4,836 tonnes of raw sugar to U.S.A., an increase of 5,035 tonnes in sales of raw sugar to European countries and a decrease of 200 tonnes in sales of raw sugar to Caribbean Countries (a net increase of 9,671 tonnes in overseas sales). Whereas, there was a decrease of 4,442 tonnes local sales of sugar in Jamaica.

The change in sales mix was mainly due to the drop in local demand in Jamaica resulting from the sugar smuggling in Jamaica. The drop in international sugar prices but the rise in domestic price of 20kg small pack sugar in Jamaica created a huge price difference for small pack sugar trader using illegal mean to smuggle imported sugar into Jamaica and repack into small pack to compete with local sugar manufacturers in 2018 which shrunk the market share of PCSC in Jamaica. As a result, PCSC needs to increase the ratio of export and domestic sales from approximately 20:80 to 30: 70 in 2018 in order to maintain the overall revenue.

Overall Performance *(Continued)*

Sugar Cane Growing and Sugar Manufacturing Business in Jamaica *(Continued)*

Business review (Continued)

In terms of gross trading results, the Joyful Right Group recorded a gross loss of approximately J$147.7 million (approximately HK$9.0 million) (2017: gross profit of approximately J$239.5 million (approximately HK$14.9 million)). The gross profit ratio decreased by approximately 17.2% to gross loss of approximately 6.7% in year 2018 compared with gross profit ratio of approximately 10.5% in 2017. The decrease in gross profit ratio was mainly due to the net effects of the decrease in average unit selling prices of raw sugar and molasse of approximately 27.4% and approximately 2.2% respectively and the decrease in the average production cost of raw sugar and molasse by approximately 10.4% and approximately 8.1% respectively. The average selling prices for raw sugar and molasses in 2018 was approximately J$72,500 (approximately HK$4,416) and approximately J$15,400 (approximately HK$938) per tonne respectively compared with approximately J$99,900 (approximately HK$6,200) and approximately J$15,700 (approximately HK$980) in 2017. The approximately 27.2% decrease in average selling price of raw sugar was driven down by the increase in the increase the ratio of export and domestic sales from approximately 20:80 in 2017 to 30: 70 in 2018 that came with the fall in overseas raw sugar price of approximately 31.2% in 2018. Whereas the average production cost was mainly brought down by the economies of scale effect from the increase in production volume and the decrease in raw material cost of sugar cane of approximately 12.4% in 2018. While, the approximately 2.2% decrease in average unit selling price of molasses was due to the local wholesalers of molasses demanded higher sales discount to absorb the increased volume of output in 2018.

In terms of net operation results, this segment recorded net loss of approximately HK$75.5 million (2017: approximately HK$33.7 million). The increase in net loss of HK$41.8 million was mainly attributable to the decrease in gross profit of approximately HK$23.9 million, the increase of administration and selling expenses of approximately HK$26.1 million (which caused by the increase of approximately HK$2.9 million in staff cost for managing the resumed Monymusk Sugar Factory, the increase of approximately HK$4.2 million in selling expense for packaging and transportation fee for the 20kg small pack sugar, the reversal of over-provision of expenses that drive down the administration expense in 2017 of approximately HK$19.0 million).

Ethanol Biofuel Business in Benin

Business review

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

The ethanol operation in Benin is operated by Compagnie Beninoise De Bioenergie SA ("CBB"), a company incorporated under the Republic of Benin with limited liability and is a 90% indirectly owned subsidiary of the Company. The construction of ethanol plant of CBB continues to suspend during the year because Benin Government is still unable to execute the Leased Land provision in the Cooperation Agreement and Leased Land is still unavailable for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol. Construction works were still under suspension pending for appropriate alternate business plan. In current year, the Board considered that the likelihood to resume the construction in near future is still extremely remote as the Group still cannot figure out how to obtain sufficient raw materials under the situation Leased Land is not made available by the Benin Government. In light of the expected prolonged suspension of the construction of ethanol biofuel plant in the Republic of Benin, there is no sight of increase in the recoverable amount, which is the higher of value in use and fair value less costs of disposal during the year. As full provision of impairment loss has been made for the construction in progress, inventories and value-added tax recoverable; there is no additional impairment loss in year 2018.

Chairman's & Management Discussion and Analysis

Overall Performance *(Continued)*

Ethanol Biofuel Business in Benin *(Continued)*

Business review (Continued)

In terms of net operation results, this segment recorded net profit of approximately HK$2.1 million (2017: approximately HK$1.2 million). The net gain was mainly for the net profit on disposal of assets of approximately HK$2.1 million during the year.

Supporting services to sweetener and ethanol business

Business review

The supporting service business segment did not record any revenue in 2018. As a result, there was notable decline in revenue from the supporting service business segment of approximately HK$98.7 million in 2018. The decline in revenue was brought by the delay in re-complying process of the requirements of the continuing connected transaction under the Listing Rules. 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 did not record any revenue in 2018 as compared to the revenue of approximately HK$98.7 million in 2017.

The supporting service business segment did not record any gross profit in 2018 as there was no revenue of this business segments. As such result, there was a decrease in gross profit after elimination of inter-segment profit of approximately HK$42.3 million in 2018.

The operating loss of this segment that after elimination of inter-segment profit was approximately HK$18.1 million (2017: approximately HK$49.3 million). The operating loss was mainly due to administration expense of approximately HK$19.0 million incurred in 2018.

Dividend

The Board does not recommend the payment of a dividend for the years ended 31st December 2018 and 2017.

Prospects

Sugar business segment

In response to the smuggling problem in 2018, the domestic manufacturers and the Jamaican government held several meetings in which the government of Jamaica agreed to crackdown the sugar smuggling into Jamaica from 2019. In 2019, various local manufacturers have also come up with an agreement on price floor for the raw sugar. With the above remedial measures together with a pick-up on export price of raw sugar in 2019. Sugar business segment would expect an increase in average sugar price in 2019.

Prospects *(Continued)*

Sugar business segment *(Continued)*

In terms of sales volume, both the sales volume of raw sugar and molasses were expected to decrease in 2019 as the Monymusk Sugar Factory is not expected to be operated in 2019. The Board expects the government of Jamaica will operate the Monymusk Sugar Factory to maintain the livelihood of the surrounding local farmers but the revenue will not belong to PCSC and no firm decision was yet made by government of Jamaica at the date of this annual report. At present, PCSC has tried various means to increase the agricultural and production management and is continuously improving the production process to boost the output. The measures include that the agricultural production technicians of the suspended Monymusk Sugar Estate can now join to improve the agricultural operation in Frome Sugar Estate (where there is better innate condition of abundant rainfall and so less irrigation cost is incurred) and strengthening sugar cane field management for better fertilization and weeding. Extensive maintenance works on farm agricultural and farm transportation equipment have been launched to ensure smooth operation of the agricultural and harvesting activities. More extensive soil analysis will be further carried out to formulate more reasonable fertilization plan and fertilization time to ensure the optimal growth of sugarcane. Therefore, it is expected that the quality and quantity of sugarcane will be gradually coming up.

Supporting service segment

Sino-Africa Technology & Trading Limited ("SATT") and an indirect wholly-owned subsidiary of the Company engaged in the supporting service segment has since 1st January 2018 suspended those continuing connected transactions until all compliance matters fulfilled under Listing Rules and the new three years annual cap granted. Reference is made to the announcement of the Company dated 7th November 2018, 28th November 2018, 11th December 2018 and 4th February 2019 in connection with the renewal of caps of continuing connected transactions in relation to the First Supplemental Agreements and the 2019-2021 Supply Agreements with the Customers and Supplier, the Group is still in the process of taking actions re-comply with all those requirements under the provisions of Chapter 14A of the Listing Rules. The group plans to seek the approvals from the independent shareholders for another three years annual caps in second quarter of year 2019 if the circular successfully completed the vetting process of the regulators in second quarter of year 2019.

In order to reduce the reliance on the revenue from the connected parties, SATT has been engaged to provide relevant economic and technical feasibility study report for a fuel ethanol project in Nigeria. In the construction stage and running stage, SATT will participate in bidding process to be one of suppliers for Deliverables in this project. Furthermore, SATT is also negotiating with a cassava supplier in Nigeria and an independent third-party customer in the PRC to import cassava products in Nigeria to the PRC. As further explained below, this new cassava trading business will start once the new subsidiary of SATT has obtained the import and export licenses and started its trading business.

In order to reduce the reliance on the procurement from connected party of China National Complete Plant Import & Export Group Corporation Limited (the "China Complant"). A new subsidiary of SATT has been incorporated in the PRC on 19 February 2019. The name of the subsidiary is Zheng Cheng International Trade (Guangzhou) Co., Ltd. (the "Zheng Cheng"). Zheng Cheng will be strategically located in Guangzhou so as to be closely proximate to the location to potential suppliers and existing suppliers to China Complant. Zheng Cheng has just completed the bank account opening process and is currently applying for import and export operation rights with Chinese Ministry of Commerce. It will then handle tax registration process and the SAFE filing for import and export business. It is estimated that it will take additional two to three months for all applications of import and export license to be completed by the end of June 2019.

Ethanol business segment

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

Chairman's & Management Discussion and Analysis

Events After The Reporting Period

Reference is made to the announcement of the Company dated 27th February 2019. Unless the context otherwise requires, capitalised terms in this annual report shall have the same meanings as those defined in the announcements.

The Company and Complant Sugar entered into the Second Amendment Deed on 27th February 2019 pursuant to which Complant Sugar conditionally agreed to extend the maturity date of the Outstanding Convertible Note (the Convertible Note in the principal amount of HK$533,700,000 being held by Complant Sugar) for a further term of five years from 27th February 2019 to 27th February 2024.

On 27th February 2019, Complant Sugar gave an irrevocable and unconditional undertaking in favour of the Company that conditional upon signing of the Second Amendment Deed, Complant Sugar agreed not to demand repayment of any outstanding amount under the Outstanding Convertible Note before 31st December 2019 or such other date as may be agreed between the Company and Complant Sugar. Further, in view of Complant Sugar having charged the Outstanding Convertible Note to China Complant, on 27th February 2019, China Complant gave its irrevocable consent to entering into of the Second Amendment Deed.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. The application for approval for the amendment on the terms and conditions of the Outstanding Convertible Note will be submitted to the Stock Exchange as soon as practicable. Complant Sugar holds 300,000,000 Shares which represent approximately 13.69% of the issued share capital of the Company as at the date of this annual report. Therefore, Complant Sugar is a connected person of the Company under the Listing Rules. Accordingly, the Extension constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

Financial Review

Liquidity and Financial Resources Review

Equity

As at 31st December 2018, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (2017: 2,191,180,000 shares).

Capital deficiency attributable to owners of the Company as at 31st December 2018 amounts to approximately HK$670.5 million (2017: approximately HK$602.1 million).

Borrowings

As at 31st December 2018, the Group's Hong Kong total borrowing that consisted of current portion of amounts due to non-controlling interests and convertible notes, excluding derivative component of convertible notes, of approximately HK$995.2 million (2017: approximately HK$964.8 million), of which approximately HK$468.6 million (2017: approximately HK$436.3) was the current portion of amounts due to non-controlling interests and approximately HK$526.6 million (2017: approximately HK$528.5 million) was the outstanding five-year zero-coupon Hong Kong-dollar convertible notes.

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

Financial Review *(Continued)*

Liquidity and Financial Resources Review *(Continued)*

Gearing

As the shareholder's equity attributable to owners of the Company was a deficiency of approximately HK$670.5 million (2017: approximately HK$602.1 million), the calculation of gearing ratio as at 31st December 2018 and 2017 were inappropriate.

Financial Resources

Bank deposits and cash balances as at 31st December 2018 amounted to approximately HK$72.5 million (2017: approximately HK$163.3 million), mainly denominated in Hong Kong Dollars, US Dollars and Jamaican dollars. The bank balances were placed in short term deposits with major banks in Hong Kong and Jamaica. The bank balance and cash decreased by approximately HK$90.8 million. The decrease was brought by the net cash outflow from operation of approximately HK$53.3 million, the net cash used in investing activities of approximately HK$2.1 million (which mainly used for plantation of cane root in Jamaica and installation of packaging machine), the net cash outflow from finance activities of approximately 38.4 million (which result from the financing cash outflow of approximately HK$45.7 million for the repayment of convertible notes and the financing cash inflow of approximately HK$7.6 million from the increase the short-term loan from COMPLANT International Sugar Industry Co., Ltd. (the "Complant Sugar")) and the positive effect of exchange rate changes on cash and cash equivalents of approximately HK$3.0 million.

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

Capital Structure

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

Treasury Policies

The Group continues to adhere to prudent treasury policies. The Group's overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the year ended 31st December 2018.

Foreign Exchange Exposure

The Group's operates in Jamaica and African countries, China and Hong Kong. During the year ended 31st December 2018, revenue was denominated mainly in US dollars and Jamaican dollars while its costs and expenses were primarily in Jamaican Dollars and US dollars where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollars. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

Financial Review *(Continued)*

Liquidity and Financial Resources Review *(Continued)*

Foreign Exchange Exposure (Continued)

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

Pledge of Assets

As at 31st December 2018 and 2017, a bank deposit of a subsidiary of approximately J$21.2 million (approximately HK$1.3 million) (2017: approximately J$20.9 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) (2017: 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 2018 (2017: 3.5%).

Capital Commitment

As at 31st December 2018, the Group did not have any significant capital commitments.

Significant Investments Held

The Group had not made any significant investment during the year ended 2018 and 2017.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Future plans for material investments and capital assets

Reference is made to the announcement made by the Company dated 1st February 2010 and definitions of this announcement are adopted herein, there is no new progress for the MOU signed by the Company and CADFund on 31st January 2010 in respect of the Possible Transactions during year 2018.

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

Financial Review *(Continued)*

Liquidity and Financial Resources Review *(Continued)*

Employees and Remuneration Policy

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total staff costs (including the directors' remuneration and employees' remuneration, contribution to retirement benefits scheme) of the Group in the year under review was approximately HK$55.2 million (2017: approximately HK$45.1 million), of which, approximately J$0.6 billion (approximately HK$36.3 million) (2017: approximately J$0.4 billion (approximately HK$24.8 million)) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The approximately HK$10.1 million (about 22.3%) increase in staff cost was mainly due to the approximately HK$9.8 million (which accounted for 97.0%) increase in staff cost for the resumption of operation of Monymusk Sugar Factory in 2018.

As at 31st December 2018, the Group had 179 full time employees (2017: 209) and 395 temporary employees (2017: 471).

Liu Yan
Chairman

Hong Kong, 29th March 2019

Profile of Directors and Senior Management

Directors

Executive Directors

Mr. LIU Xueyi, aged 63, was appointed as Executive Director and Chairman of the Board in January 2014. Mr. Liu holds a Bachelor of Engineering in Salt Manufacturing Machinery from Tianjin University of Science & Technology. Mr. Liu is qualified as a senior engineer conferred by China Development Bank. Mr. Liu has accumulated more than 36 years of experience in project planning and corporate management from various corporations. Mr. Liu joined State Development & Investment Corp., Ltd. ("SDIC") to work for its various affiliated companies when restructuring of the former six state investment corporations (including the State Electromechanical Textile Investment Corporation) formed SDIC in May 1995. Mr. Liu began his career at Ministry of Light Industry of People's Republic of China and was the cadre of Ministry of Light Industry of People's Republic of China from July 1982 to August 1990. Mr. Liu was the deputy division chief of Electromechanical Textile Investment Corporation from August 1990 to December 1993, the general manager of Hainan Zhonghai Industrial Investment Co., Ltd. from January 1994 to December 1997, the chairman of the Board and general manager of Shenzhen Xianke Electron Co., Ltd. and Shenzhen Publishing Co., Ltd. from January 1998 to July 2001, the general manager of SDIC Electron Co., Ltd from July 2001 to October 2002, the general manager of SDIC High-tech Investment Co., Ltd (previously known as SDIC Venture Capital Co., Ltd) from October 2002 to August 2006 and the president assistant of SDIC since August 2006. Mr. Liu was concurrently the chairman of the board of SDIC Zhonglu Fruit Juice Co., Ltd (a company listed on the Shanghai Stock Exchange, Stock Code: 600962) from June 2004 to April 2010. Mr. Liu was appointed as the director and chairman of board of China National Complete Plant Import & Export Group Corporation Limited ("China Complant", a controlling shareholder of the Company) from July 2012 to July 2016. Under China Complant group, Mr. Liu was served as the director and chairman of the board of China National Complete Plant Import & Export Corporation Limited (a company listed on the Shenzhen Stock Exchange, Stock Code: 000151) from April 2013 to August 2016 and as the director of COMPLANT International Sugar Industry Co., Ltd. ("Complant Sugar", a substantial shareholder of the Company) from November 2013 to April 2015.

Mr. HAN Hong, aged 55, was appointed as Executive Director in May 2009. Mr. Han is also the director of Pan Caribbean Sugar Company Limited (a 70% owned subsidiary of the Company) since June 2013. Mr. Han holds a Bachelor of Engineering from Anhui Institute of Technology majored in Mechanical Technology and Equipment. Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China granted Mr. Han the title of senior engineer in International Commercial Project in December 1996. Mr. Han has over 35 years' experience in project engineering, investment and general management. Mr. Han began his career at China Complant as a project manager in Spare Parts Department in August 1984. Later, Mr. Han promoted as the deputy division chief in China Complant from January 1993 to November 1994. After, Mr. Han seconded to Zina Enterprise (PVT) Ltd. in Zimbabwe, a subsidiary of China Complant, as the managing director from November 1994 to January 1998. Thereafter, Mr. Han transferred back to China Complant as the general manager in Investment Management Department from April 1998 to November 2007 and also appointed as the chairman of Yunnan Yuanjiang Ever Green Biology (Group) Co., Ltd., a subsidiary of China Complant, from March 2000 to January 2004. Mr. Han has been appointed as director of Complant Sugar since October 2012 and was appointed as director of China Complant from March 2013 to November 2017 as well as to be the vice general manager of China Complant since March 2013. Mr. Han was also appointed as chairman of supervisory committee of China National Complete Plant Import & Export Corporation Limited (a company listed on the Shenzhen Stock Exchange, Stock Code: 000151) from January 2019 to April 2019.

Directors *(Continued)*

Executive Directors *(Continued)*

Mr. WANG Zhaohui, aged 46, was appointed as Executive Director in January 2014. Mr. Wang is currently the deputy general manager of COMPLANT Hong Kong Limited, a wholly-owned subsidiary of China Complant and finance manager of Complant. Mr. Wang studied Foreign Trade Accounting at University of International Business and Economics and graduated in July 1995 and holds a Master's Degree in Business Administration from Hong Kong Polytechnic University. Mr. Wang is qualified as an intermediate accountant conferred by Ministry of Finance of China. Mr. Wang has over 27 years' experience in finance and accounting. Mr. Wang started its career in China Complant in December 1991 and served various positions at China Complant and its subsidiaries, including as an accountant in COMPLANT Hotel from December 1991 to April 1998, as an accountant in financial department of China Complant from May 1998 to October 1999, as the chief financial officer of Pitons Management Area Reservoir Project of China Complant from November 1999 to October 2000, later returned to financial department of China Complant as an accountant from November 2000 to January 2002, as the finance manager of La Sucrerie de COMPLANT de Madagascar from February 2002 to October 2004, as the section head of financial department of China Complant from November 2004 to November 2007, as the deputy financial manager of Complant Sugar from December 2007 to July 2011, as the finance manager of Complant Sugar from August 2011 to September 2012 and assuming the position of deputy general manager of COMPLANT Hong Kong Limited since October 2012 and re-assuming the position of finance manager of Complant Sugar since October 2014.

Non-executive Directors

Ms. LIU Yan, aged 52, was appointed as Non-Executive Director, Chairman of the Board and Chairman of Nominee Committee in December 2017. Ms. Liu obtained a Bachelor of Laws degree in July 1987 at Jilin University in the PRC and obtained a Master of International Economics degree at Nankai University School of Economics in the PRC in June 2006. Ms. Liu is a senior economist granted by the Appraisal and Approval Committee for Professional & Technical Qualification of the PRC in December 2009. Since July 2016, Ms. Liu has held the positions of party secretary and chairman of the board at the China National Complete Plant Import & Export Group Corporation Limited ("China Complant"), which principally engages in general contracting for engineering construction, exporting and importing of plants and technologies and industrial investment. China Complant is the controlling shareholder of the Company. Ms. Liu has also served as the director and chairman of the board of China National Complete Plant Import & Export Corporation Limited, a company listed on the Shenzhen Stock Exchange (Stock Code: 000151), since September 2015 and August 2016 respectively. Ms. Liu has been working at China Complant since August 1987 and her previous roles include party secretary, director and deputy general manager from March 2013 to July 2016, deputy secretary of the party committee and secretary of the Commission for Discipline Inspection from March 2002 to March 2013, general manager of human resources department from August 1998 to March 2002, deputy general manager of human resources department from May 1995 to August 1998 and cadre of human resources department from August 1987 to May 1995.

Mr. ZHANG Jian, aged 39, was appointed as Non-Executive Director and member of Nomination Committee in December 2017. Mr. Zhang studied at the University of Hunan in the PRC where he obtained his Bachelor's Degree in Finance in June 2002. He then completed further post-graduate studies at the University of Stirling in the United Kingdom where he obtained his Master's Degree in Investment Analysis in November 2006. Mr. Zhang has over 11 years' experience in investment management in the PRC. Mr. Zhang joined China-Africa Development Fund and was a manager of the investment department from September 2007 to October 2011, a senior manager assistant in investment department III from October 2011 to February 2012, a senior manager assistant in investment department IV from February 2012 to September 2015. His current position at China-Africa Development Fund is vice general manager of investment department III since September 2015.

Profile of Directors and Senior Management

Directors *(Continued)*

Independent Non-Executive Directors

Mr. CHENG Tai Kwan Sunny, aged 46, was appointed as Independent Non-Executive Director, Chairman of Audit Committee and members of Remuneration Committee and Nomination Committee in December 2017. Mr. Cheng obtained a degree of Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 1996 and a degree of Master of Science from The Chinese University of Hong Kong in December 2006. He completed the Kellogg-HKUST Executive MBA Program and was awarded a degree of Master of Business Administration from Northwestern University and The Hong Kong University of Science and Technology in December 2009. Mr. Cheng obtained a degree of Juris Doctor from The Chinese University of Hong Kong in November 2017. Mr. Cheng was admitted as an associate and a fellow of The Association of Chartered Certified Accountants in July 1999 and July 2004, respectively. He was also admitted as a member of the Hong Kong Institute of Certified Public Accountants (previously known as Hong Kong Society of Accountants) in September 2001. Mr. Cheng has been a member of the Chinese People's Political Consultative Conference of Enping City, Guangdong Province from November 2011 to November 2016. Mr. Cheng has years of experience in management, financial reporting and management accounting. Mr. Cheng is currently an independent non-executive director at China Sinostar Group Company Limited (formerly known as Shihua Development Company Limited and Starlight International Holdings Limited) (Stock Code: 485, a company listed on the Stock Exchange) since July 2014 and an independent non-executive director at Bojun Education Company Limited (Stock Code: 1758, a company listed on the Stock Exchange) since July 2018. He was also an independent non-executive director at Champion Alliance International Holdings Limited (formerly known as Mengke Holdings Limited) (Stock Code: 1629, a company listed on the Stock Exchange) from November 2016 to December 2018. He worked for subsidiaries of a private corporation from January 2005 to June 2012, which has become subsidiary of Li & Fung Limited (stock code: 0494) since 2010, a company listed on the Stock Exchange.

Mr. SHI Zhu, aged 51, was appointed as Independent Non-Executive Director, Chairman of Remuneration Committee and members of Audit Committee and Nomination Committee in December 2017. Mr. Shi obtained his first degree in Bachelor of Arts, majoring in English, from the Anhui Fuyang Teacher's University in the PRC in July 1989 and his second degree in Bachelor of law, majoring in Journalism, from the Communication University of China in July 1993. Mr. Shi worked at the Ministry of Commerce of the PRC for over 14 years. From November 1993 to May 2000, Mr. Shi served various positions including front-page editor as well as deputy chief editor and chief editor of the English version of International Business Monthly under International Business Daily, a publishing entity under the Ministry of Commerce of the PRC. Mr. Shi was appointed by the Ministry of Commerce of the PRC to work at the Embassy of the PRC in New Zealand where he acted as the Commercial Consul and was in charge of economic and commercial affairs from June 2000 to December 2000 and Mr. Shi subsequently returned to International Business Daily and served various positions including chief editor of Important News, director of general office, chief editor of China-ASEAN Business Week, chief editor of Features from January 2001 to February 2008. After that, Mr. Shi migrated to Hong Kong under the Quality Migrant Admission Scheme in February 2008. Mr. Shi is currently the director of BOCHK Wealth Achieve Fund Series SPC, a serial investment fund company wholly owned by BOCHK Asset Management Limited since May 2017. Mr. Shi is concurrently the director and general manager of Shenzhen Sanhong Asset Management Limited, a private equity company incorporated in the PRC which principally engaged in equity investment and supply chain finance in the PRC and South East Asia, since September 2015. Mr. Shi is also a director of Joyful Capital Limited, a company incorporated in Hong Kong which principally engaged in investment and investment consultancy in Hong Kong and the PRC, since May 2008.

Directors *(Continued)*

Independent Non-Executive Directors *(Continued)*

Dr. LU Heng Henry, aged 53, was appointed as Independent Non-Executive Director and members of Audit Committee, Remuneration Committee and Nomination Committee in December 2017. Dr. Lu obtained the degree of Doctor of Philosophy from Columbia University in February 1998 and the degree of Master of Business Administration from the University of Chicago in June 2000. Dr. Lu is currently the chief representative of Nimbus Capital Limited, a company incorporated in Hong Kong which principally engaged in e-commerce of health care products, education and training, since January 2015. Dr. Lu was an independent director of China Nepstar Chain Drugstore Ltd. from June 2014 to August 2016. The American depositary shares (ADS) of China Nepstar Chain Drugstore Ltd. was listed on the New York Stock Exchange under symbol (NYSE: NPD) from November 2007 to August 2016. Prior to joining Nimbus Capital Limited, Dr. Lu worked for William Blair & Company, L.L.C. (Shanghai representative office).

Senior Management

Mr. WAN Hok Shing, aged 52, is the Financial Controller and Company Secretary of the Group. He is responsible for overall financial reporting, corporate finance and compliance matters of the Group. Mr. Wan has over 26 years of experience in corporate finance, listing compliance, accounting and auditing. Prior to joining the Group in August 1999, he held a senior finance position in another Main Board listed company and worked at one of the big four international accounting firms for about five years. Mr. Wan was in charge of the Group's initial public offering on the Main Board in 2000 and he also assist the Group in a series of subsequent financial activities including fund raising, acquisition and corporate restructuring activities etc. He is currently a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the UK, an Associate Member of The Institute of Chartered Secretaries and Administrators of the UK and The Hong Kong Institute of Chartered Secretaries and a Member of The Chinese Institute of Certified Public Accountants of the PRC. Mr. Wan holds a Bachelor's Degree with Honours in Hospitality Management from the Hong Kong Polytechnic University and a Diploma of Legal Studies with distinction from the University of Hong Kong. Mr. Wan has also been awarded the Chartered Financial Analyst (CFA) charter by CFA Institute USA after passing all three levels of the rigorous exam series on his first attempts. CFA charter has been recognised in the UK as being equivalent to a Master's Degree in Finance.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December 2018.

Principal Activities

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

Results And Appropriations

The results of the Group for the year ended 31st December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

The directors do not recommend the payment of any dividend in respect of the year ended 31st December 2018.

Business Review

A business review of the Group for the year ended 31st December 2018 and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing are shown in "Chairman's Statement and Management Discussion and Analysis" section of this annual report. The capital risk management and the financial risk management objectives and policies of the Group are set out in notes 6 and 7 respectively to the consolidated financial statements. An analysis of the Group's performance using financial key performance indicators is shown in "Five-Year Financial Summary" section of this annual report.

Environmental policies and performance

As one of the leading sugar manufacturer in Jamaica, the Group believes that the sugar cane plantation and sugar manufacturing should carry on in an environmentally responsible way. The Group believes that in the long run, due performance of environmental responsibility would definitely improve the effectiveness of the utilisation of the Group's resources and would raise the economic efficiency to the Group.

The Group has established the environmental protection policies that include both emission reduction and energy-saving policies in order to minimize the impacts to the environment. There was no material breach of or non-compliance with environmental policies by our Group.

Compliance with the relevant laws and regulations that have a significant impact on the company

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact to the Group. There was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

Key relationships with stakeholders

The Group believes that its success depends on the support from the key stakeholders, which comprise employees, customers, suppliers and shareholders.

Employees

The Group respects its employees and endeavours to provide the better working conditions for its employees. The Group has established various policies in relation to the labour practices including the remuneration and dismissal, recruitment and promotion, working hours, holidays, disciplinary practice, equal opportunity, diversity and other benefits and welfare so as to provide a fair, healthy and safe working environment for all employees. The Group has also established the policies for remuneration of employees so as to provide the fair and competitive remuneration packages for the employees under the systemic remuneration management. The Group provides equal opportunity for employees in respect of promotion, appraisal, training, development and other aspects in order to build up a sound career platform for employees.

Customers

The Group aims at providing its customers with the qualified products and has adopted a system to control strictly the manufacturing processes of its products and the product quality. All products are manufactured according to the specified procedures and are required to undergo a thorough quality inspection process in order to assure the products quality. The Group has maintained a customer service team to handle the enquiries about the products from the customers. The customer service team handles the customers' feedbacks and complaints according to the stated procedures.

Suppliers

The Group used to work with the suppliers with the same objectives and develops mutually-successful working relationships with the key suppliers. The Group strictly follows its policy, which is constructed under the Group's corporate culture of integrity, and professional standard in the selection of suppliers and purchasing process. Although the cost of purchasing is a major consideration in selecting suppliers, the Group would also consider the suppliers' corporate social responsibility performances, which include the suppliers' performances on the aspects of legal and regulatory compliance, business ethics, labour practices and environmental protection etc.

Shareholders

One of the Group's objectives is to maximize shareholders' value and safeguard the interests of the shareholders. The Group believes that good governance is essential to achieving the aforesaid objective so that it has adopted the standards of corporate governance. The Group is committed to ensure the sustainable development of the Group and to maintain the stable dividend payouts after taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group.

Permitted Indemnity Provision

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout the year of 2018.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 122.

Property, Plant And Equipment

During the year, the Group spent approximately HK$2,233,000 (2017: approximately HK$2,263,000) on acquisition of property, plant and equipment. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

Share Capital

Details of the Company's share capital are set out in note 29 to the consolidated financial statements.

Distributable Reserves of the Company

The company's reserves available for distribution consisted of contributed surplus of approximately HK$468,576,000 (2017: HK$468,576,000) that offset the accumulated losses of approximately HK$2,042,840,000 (2017: HK$2,054,764,000). There were no net distributable reserves available as at 31st December 2018 and 2017.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 69.3% of the Group's turnover and the Group's largest customer accounted for approximately 20.9% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 14.5% of the Group's total purchases and the Group's largest supplier accounted for approximately 3.5% of the Group's total purchases.

At no time during the year did a director, an associate of a director or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest suppliers.

Directors and Directors' Service Contracts

The directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Liu Xueyi
Mr. Han Hong
Mr. Wang Zhaohui

Non-Executive Directors:

Ms. Liu Yan
Mr. Zhang Jian

Independent Non-Executive Directors:

Mr. Cheng Tai Kwan Sunny
Mr. Shi Zhu
Dr. Lu Heng Henry

Mr. Zhang Jian, Mr. Cheng Tai Kwan Sunny and Mr. Shi Zhu will retire from the office and, being eligible, offer themselves for reelection at the forthcoming annual general meeting in accordance with the Article 116 of the Company's Articles of Association.

The terms of office of each of the independent non-executive directors is the period up to his retirement by rotation as required by the Company's Articles of Association.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Biographical Details of Directors and Senior Management

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Profile of Directors and Senior Management" on pages 12 to 15 of this annual report.

Directors' Report

Directors' Remuneration

Details of the Directors emoluments are set out in note 13 to the consolidated financial statements in this annual report. The Directors' remunerations are determined subject to the recommendations of the Remuneration Committee and the Board's approval with reference to Directors' duties, responsibilities and performance and the results of the Group.

Directors' and Chief Executives' Interests in Securities and Short Position

As at 31 December 2018, 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 Options

2000 Share Option Scheme

The Company's 2000 Share Option Scheme was adopted pursuant to a resolution passed on 4th January 2000 and has terminated by a resolution passed by shareholders on 20th September 2007.

Up to 31st December 2018, no share option was granted since adoption under the terminated 2000 share option scheme.

2007 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (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 reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

The particulars of the Company's share option schemes are set out in note 32 to the consolidated financial statements.

Arrangements to Purchase Shares or Debentures

Other than the share option scheme as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31st December 2018, the following persons (other than a director or a chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long Position

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

Note 1: In addition to the 300,000,000 shares, Complant Sugar holds convertible notes of principal amount HK$533.7 million convertible into 889,500,000 shares representing 40.59% of the issued capital of the Company (the "Outstanding Convertible Note"). Complant Sugar charged the Outstanding Convertible Note to China Complant.

Note 2: 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. Complant Sugar charged the Outstanding Convertible Note to China Complant.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company.

Save as disclosed herein, the Company has not been notified of any other person (other than a director of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31st December 2018.

Connected Transactions And Continuing Connected Transactions

Connected Transactions

Save for the continuing connected transactions as disclosed below, during the year ended 31 December 2018, the Group has not carried out any connected transactions that are not exempt from annual reporting requirement in Chapter 14A of the Listing Rules.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions

Non-Exempted Continuing Connected Transaction

Due to the delay in re-complying process of the requirements of the continuing connected transaction under the Listing Rules. 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 the year ended 31st December 2018.

Exempted Continuing Connected Transaction

The exempted continuing connected transaction during the year ended 31st December 2018 is relating to SATT entering office tenancy agreements dated 10th November 2018 with China Complant for an initial term of one year with an effective date from 1st January 2018 to 31st December 2018. As the applicable percentage ratio of the Company in respect of the aggregate annual rentals and management fees payable by SATT under the Tenancy Agreements is less than 5% and the total consideration is less than HK$3 million, the Tenancy Agreements are exempted from the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The total amount of rental and management fee paid to China Complant during the year was approximately HK$760,000.

Related Party Transactions

Details of the related party transactions undertaken by the Group in its normal course of business are set out in note 35 to the consolidated financial statements. For those related party transactions which constituted connected transactions or continuing connected transactions under the Listing Rules, they are set out in the above paragraph headed "Connected Transactions". It has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Directors' Interest in Contracts of Significance

No contracts of significance, to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

Equity-Linked Agreements

The Company or any of its subsidiaries have not entered into any equity-linked agreement during the year.

Purchase, Sale or Redemption of the Company's Listed Securities

At no time during the year, did the Company nor any of its subsidiaries purchase, sell or redeem any of the Company's listed securities.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, at least 25% of the Company's total issued share capital was held by public as required under the Listing Rules.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association, or the laws in the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Emolument Policy

The Remuneration Committee reviews the Group emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating result, individual performance and comparable market statistics.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out as "Share Options" above.

Corporate Governance

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

Independent Non-Executive Directors' Confirmation of Independence

The Company received from each of the independent non-executive directors, Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee assessed the independence of the independent non-executive directors and affirmed that all independent non-executive directors remained independent.

Auditor

BDO Limited was first appointed as auditor of the Company in 2015 upon the retirement of SHINEWING (HK) CPA Limited.

The consolidated financial statements have been audited by BDO Limited who will retire and being eligible to be reappointed as auditor of the Company at the forthcoming annual general meeting.

On behalf of the Board
Liu Yan
Chairman

Hong Kong, 29th March 2019

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31st December 2018.

Corporate Governance Practices

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing the Shareholders' value and safeguarding interest of the Shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all Shareholders.

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules (the "CG Code") during the year under review, save for the deviation from code provisions A.1.8, A.2.1, A.2.4, A.4.1, A.6.7, and E.1.2 which are explained below.

Code on Corporate Governance Practices

During the year ended 31st December 2018, the Company has complied with the code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules (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. As the Company cannot agree the insurance terms with insurance company for the directors and officers' liabilities' insurance in 2018, the insurance cover in respect of legal actions against the Directors was not in place during the year ended 31st December 2018. The Company will start the process of obtaining, reviewing and comparing the quotation and insurance proposal with the insurers in 2019 after the release of 2018 annual reports and targets to purchase the relevant liability insurance for Directors within 2019.

Code Provision A.2.1 and 2.4

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

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

Code on Corporate Governance Practices *(Continued)*

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. Even so, none of the non-executive Directors were appointed for specific term. These constitutes a deviation from the code provision A.4.1 during the period.

However, all the independent non-executive directors were appointed for specific terms. Furthermore, one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting under the Company's articles of association (the "Articles"). As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

Code Provision A.6.7

Under the code provision A.6.7, independent non-executive Directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and development a balanced understanding of the views of shareholders. Due to other business engagements, the independent non-executive directors of Mr. Cheng Tai Kwan Sunny and Dr. Lu Heng Henry did not attend the annual general meeting held on 29th June 2018.

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 29th June 2018 due to another business engagement.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all Directors declared that they have complied with the Model Code for the year ended 31st December 2018.

Corporate Governance Report

The Board of Directors

(a) Responsibilities

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions. The Board delegates the day-to-day operations to general managers and department heads who are responsible for different aspects of the operations of the Group. The Directors are continually updated with the regulatory requirements, business activities and development of the Group to facilitate the discharge of their responsibilities. The management has the obligation to supply the Board and the various Committees with adequate information in a timely manner to enable the members to make informed decisions. Each Director has separate and independent access to the Group's management to acquire more information than is volunteered by management and to make further enquiries if necessary. There are established procedures for Directors to seek independent professional advices for them to discharge their duties and responsibilities, where appropriate at the Company's expenses. Directors and Officers Liability Insurance is in place to protect the Directors and officers against their potential legal liabilities arising out of corporate activities.

(b) Composition

The Board currently comprises three executive Directors, two non-executive directors and three independent non-executive Directors from different business and professional fields. The Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgment to the Board for its efficient and effective delivery of the Board function.

Composition of the Board and its changes during the year ended 31st December 2018 and up to date of this annual report is as follows:

Executive Directors

Mr. Liu Xueyi
Mr. Han Hong
Mr. Wang Zhaohui

Non-Executive Directors:

Ms. Liu Yan
Mr. Zhang Jian

Independent Non-Executive Directors

Mr. Cheng Tai Kwan Sunny
Mr. Shi Zhu
Dr. Lu Heng Henry

The profiles of Director at date of this report are set out in the "Profile of Directors and Senior Management" section on pages 12 to 15.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The Board of Directors *(Continued)*

(c) Appointment and Re-election of Directors

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election. Any new Director appointed as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next following annual general meeting of the Company after appointment.

(d) Induction for Directors

Each newly appointed Director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

(e) Directors' Continuous Training and Development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant.

The Directors are committed to complying with the CG Code A.6.5 which came into effect on 1st April 2012 on Directors' training. All Directors have participated in continuous professional development by studying written materials relevant to Director's duties and responsibilities.

The Board of Directors *(Continued)*

(f) Board Meetings and Shareholders Meetings Attended

According to the CG Code, the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the reporting period, the Company convened a total five board meetings, five committee meetings and an annual general meeting. Attendance records of the directors at board meetings as well as committee meetings (directors who involved in connected transactions and board committee meeting and required to be abstained from the meeting are also deemed as attending directors) and annual general meeting in 2018 are set out as follows:

Name of Director	Board Meetings	Committee Meetings	Attendance at general meeting
Executive Directors			
Mr. Liu Xueyi	5/5	N/A	0/1
Mr. Han Hong	5/5	N/A	0/1
Mr. Wang Zhaohui	5/5	N/A	0/1
Non-Executive Directors			
Ms. Liu Yan	5/5	1/1	0/1
Mr. Zhang Jian	5/5	1/1	0/1
Independent Non-Executive Directors			
Mr. Cheng Tai Kwan Sunny	5/5	5/5	0/1
Mr. Shi Zhu	5/5	5/5	1/1
Dr. Lu Heng Henry	5/5	5/5	0/1

Independence of Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence.

Board Committees

The Company has established the Nomination Committee in February 2012 and maintained the Audit Committee and Remuneration Committee throughout the year to oversee particular aspects of the Group's affairs. Each of these committees has specific written terms of reference, which deal clearly with their authorities and duties. The chairmen of the committees will report the findings and recommendations of the committees to the Board after each meeting. The minutes of all meetings of the committees are circulated to the Board for information.

(a) Nomination Committee

The Nomination Committee was established by the Company in February 2012. As at the date of this report, the Nomination Committee comprises two non-executive Directors of the Company, namely Ms. Liu Yan and Mr. Zhang Jian and three independent non-executive Directors of the Company, namely Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry. Ms. Liu Yan is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The terms of reference of the Nomination Committee are available on the website of the Stock Exchange and the Company's website.

During the financial year ended 31st December 2018, the Nomination Committee held one meeting. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Ms. Liu Yan	1/1
Mr. Zhang Jian	1/1
Mr. Cheng Tai Kwan Sunny	1/1
Mr. Shi Zhu	1/1
Dr. Lu Heng Henry	1/1

The chairman of the Nomination Committee will report the findings and recommendations of the Nomination Committee to the Board after each meeting. The minutes of all meetings of Nomination Committee are circulated to the Board for information.

Board Committees *(Continued)*

(a) Nomination Committee *(Continued)*

The following was a summary of the work performed by the Nomination Committee in 2018:

1. reviewed the structure, size and diversity of the Board. The Nomination Committee endorsed that the Board possessed a diversity of skills, expertise, experience and qualifications and believed that the Board performed its duties competently.

2. assessed the independence of all the independent non-executive Directors and reviewed the independent non-executive Directors' confirmations on their independence.

3. nominated Mr. Liu Xueyi, Mr. Han Hong and Mr. Wang Zhaohui for the Board's recommendations to stand for election at the 2018 annual general meeting of the Company and reviewed the relevant sections in the circular to the shareholders of the Company.

4. reviewed the relevant disclosures made in the Directors' Report of the 2017 annual report of the Company (the "Annual Report").

5. reviewed the Corporate Governance Report, which was included in the Annual Report.

6. reviewed the Group's compliance with the Code.

7. reviewed the Board Diversity Policy of the Company to see if there was any update.

Below is the summary of the Nomination Policy of the Company:

The Board has formalised the Company's existing approach and procedures and adopted a Director nomination policy on 1st January 2019. Below is a summary of the Nomination Policy of the Company:

Objective

1. This Policy aims to set out the major selection criteria and nomination procedures for the Nomination Committee of the Company to select and recommend candidates for directorship.

Board Committees *(Continued)*

(a) Nomination Committee *(Continued)*

Selection Criteria

2. The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

    (a) The ability to assist and support management and make significant contributions to the Group's success;

    (b) Experience and reputation in the businesses of the Group and other relevant sectors;

    (c) Commitment in respect of sufficient time, the relevant interest and attention to the Group's business;

    (d) Reputation for integrity;

    (e) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director;

    (f) Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional background, skills, knowledge and experience; and

    (g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

3. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association of the Company and other applicable rules and regulations.

Board Committees *(Continued)*

(a) Nomination Committee *(Continued)*

Nomination Procedures

4. If the Board determines that an additional or replacement Director is required. The Nomination Committee shall identify individuals suitably qualified to become Board members and make recommendations for the Board's consideration and approval. The Nomination Committee will deploy multiple channels for identifying suitable director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

5. Regarding the appointment of any proposed candidates to become Board members, the Nomination Committee shall undertake adequate due diligence in respect of each proposed candidate and make recommendations for the Board's consideration and approval.

6. Regarding the re-appointment of any existing members of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, the proposed candidates to stand for re-election at a general meeting.

7. Regarding the procedures for shareholders' nomination of any proposed candidate for election as a director, please refer to the "Procedures for a Member to Propose a Person for Election as a Director", which is available on the Company's website.

8. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

Review of this Policy

9. The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

Below is the summary of the Board Diversity Policy and the achievement on the measurable objectives during the year under review:

The Board has adopted a board diversity policy on 27th March 2014 which was subsequently modified. The revised board diversify policy, among others, has set measurable objectives (in terms of gender, age, skills and experience) to implement the Board Diversity Policy with effective from 1st January 2019.

All board appointments will be based on meritocracy, and candidates will be considered based on objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, and experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will report annually on the Board's composition under diversified perspectives, and monitor the implementation of this policy. The minutes of all meetings of Nomination Committee are circulated to the Board for information. The Nomination Committee will discuss any policy's revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Board Committees *(Continued)*

(a) Nomination Committee *(Continued)*

Review of this Policy (Continued)

During the year ended 31 December 2018, the Nomination Committee has reviewed the diversity of the Board. During the year under review, the Board has achieved the following measurable objectives:

1. at least one-third of the Board is composed of independent non-executive Directors;

2. at least one Director is a qualified accountant;

3. at least one Director has relevant experience in the supporting services to sweetener business and sugar cane growing and sugar manufacturing industry;

4. at least one Director has relevant experience in finance.

(b) Remuneration Committee

A Remuneration Committee was established by the Company in 2005. As at the date of this report, the Remuneration Committee comprises three independent non-executive Directors of the Company, Mr. Shi Zhu, Mr. Cheng Tai Kwan Sunny and Dr. Lu Heng Henry. Mr. Shi Zhu is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. The terms of reference of the Remuneration Committee are available on the website of the Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Company's website.

During the year ended 31st December 2018, the Remuneration Committee held one meeting.

The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Shi Zhu	1/1
Mr. Cheng Tai Kwan Sunny	1/1
Dr. Lu Heng Henry	1/1

The chairman of the Remuneration Committee will report the findings and recommendations of the Remuneration Committee to the Board after each meeting. The minutes of all meetings of Remuneration Committee are circulated to the Board for information.

Board Committees *(Continued)*

(b) Remuneration Committee *(Continued)*

The following was a summary of the work performed by the Remuneration Committee in 2018:

1. reviewed the Group's emolument policy and structure for the remuneration of Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

2. assessed the performance of the executive Directors and considered the remuneration package of executive Directors by reference to the prevailing packages with companies listed on the main Board of the Stock Exchange.

3. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

4. reviewed the Corporate Governance Report, which was included in the Annual Report.

5. reviewed the Group's compliance with the Code.

6. considered those topics, which were requested by the Board and reviewed those relevant documents.

Details of the remuneration of each of the Directors of the Company are set out in note 13 to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the member of the senior management by band for the year ended 31st December 2018 is set out below:

	Number of individuals
Nil to HK$1,000,000	1

(c) Audit Committee

An Audit Committee was established by the Company in 1998. As at the date of this report, the Audit Committee comprises three independent non-executive Directors of the Company, Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu, and Dr. Lu Heng Henry, one of whom possess recognised professional qualifications in accounting and have wide experience in auditing and accounting. Mr. Cheng Tai Kwan Sunny is the chairman of the Audit Committee.

The primary function of the Audit Committee is to review and supervise the Group's financial reporting process and internal controls. The terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company's website.

Board Committees *(Continued)*

(c) Audit Committee *(Continued)*

During the financial year ended 31st December 2018, the Audit Committee held three meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Mr. Cheng Tai Kwan Sunny	3/3
Mr. Shi Zhu	3/3
Dr. Lu Heng Henry	3/3

The chairman of the Audit Committee will report the findings and recommendations of the Audit Committee to the Board after each meeting. The minutes of all meetings of Audit Committee are circulated to the Board for information.

The following was a summary of the work performed by the Audit Committee in 2018:

1. reviewed the Group's consolidated financial statements for the year ended 31st December 2017 and the annual results announcement with a recommendation to the Board for approval.

2. reviewed the relevant disclosures made in the Directors' Report of the Annual Report.

3. reviewed the Corporate Governance Report, which was included in the Annual Report.

4. reviewed the Environmental, Social and Governance Report, which was published on the websites of the Stock Exchange and the Company's website.

5. met with the external auditor without the presence of the executive directors of the Board.

6. reviewed the Group's consolidated financial statements for the six months ended 30th June 2018 and the interim results announcement with a recommendation to the Board for approval.

7. assessed broadly any special risks faced by the Group and reviewed the adequacy and effectiveness of the Company's internal control system and risk management system, financial reporting system and associated procedures.

8. reviewed the Group's policies and practices on corporate governance and made recommendations to the Board.

9. reviewed the findings and recommendations submitted by the Group Internal Audit Department.

10. reviewed the continuing connected transaction report submitted by the external auditor.

11. made recommendation on the appointment or reappointment of the external auditor.

12. reviewed the reports including the 2018 audit planning report submitted by the external auditor.

13. considered the 2018 audit fees with a recommendation to the Board for approval.

Board Committees *(Continued)*

(c) Audit Committee *(Continued)*

At the Audit Committee meeting on 29th March 2019, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31st December 2018 and the annual results announcement with a recommendation to the Board for approval.

Directors' Responsibility for the Consolidated Financial Statements

The management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the consolidated financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the consolidated financial statements on a going concern basis.

The responsibility of the external auditor, BDO Limited, is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of Company, as a body, and for no other purpose.

The Company has announced its annual and interim results in a timely manner within approximately three months and two months, respectively, after the end of the relevant period in order to enhance high level of corporate transparency.

Risk Management and Internal Controls

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually with the assistance from the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal controls, and the resourcing of the finance and internal audit functions. To assist the Audit Committee to fulfill its responsibilities, the senior management has to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board.

Appropriate policies and controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are appropriately identified and managed. However, the systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve business objectives.

Risk Management and Internal Controls *(Continued)*

The various departments of the Group, as risk owners, identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to the directors of the Group at each regularly scheduled meeting throughout the year. The internal audit department of the Controlling Shareholders which controlled several listed companies in Hong Kong and the People's Republic of China is sharing this group resource to carry the internal audit function (the "Group Internal Audit department"). The Group Internal Audit Department reviews significant aspects of risk management and internal control for the Group, reports to the Board and the Audit Committee at least annually, including amongst other things, significant risks of the Group and the appropriate mitigation of identified risks and the results of their activities during the preceding period pertaining to the adequacy and effectiveness of internal controls, including but not limited to, any indications of failings or material weaknesses in those controls. The annual work plan of Group Internal Audit Department covers major activities and processes of the Group's operations and businesses units. Special reviews are also performed at the Board' request. The results of these audit activities are communicated to the Board and the Audit Committee at least annually. Audit issues are tracked, followed up for proper implementation, and their progress are reported to the Board and the Audit Committee at least annually.

The Group Internal Audit Department provides independent advices to the Board, the Audit Committee and the executive management of the Group on the adequacy and effectiveness of internal controls for the Group. The Group Head of Internal Audit Department reports directly to the Chairman of the Audit Committee and the respective directors (as the case may be).

The senior management of the Group, supported by the Board, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and for reporting to the Board and/or the Audit Committee on the effectiveness of these systems.

The following key processes are used to identify, evaluate and manage the Group's significant risks:

1. the Board establishes the scope and establishes the risk assessment criteria.

2. various departments identify the risks, which may potentially impact the achievement of their business objectives, analyze and evaluate the significance of such risks.

3. various departments assess the adequacy of existing controls, determine and implement plans where risks are mitigated.

4. various departments monitor those activities to mitigate the risks.

5. Group Internal Audit Department tracks the progress of those activities to mitigate the risks and reports regularly to the Board and the Audit Committee.

The Board has established and oversees a whistleblower policy and a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving the Company, and for such matters to be investigated and dealt with efficiently in an appropriate and transparent manner. The Board has designated the Audit Committee to receive on his behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations to Audit Committee for consideration by the Board.

Risk Management and Internal Controls *(Continued)*

The Company strictly regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

During year 2018, the Board, with the assistance of the Audit Committee, conducted a review of the effectiveness and adequacy of the Group's risk management and internal control systems, covering financial, operational, compliance control and risk management functions. To assist the Board and Audit Committee to fulfill its responsibilities, the senior management has identified, updated and reported the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board. The Group Internal Audit also conducted selective reviews on the effectiveness of the risk management and internal control systems of the Group over operational, financial and compliance controls and submitted the internal audit report to the Audit Committee and the Board. After reviewing the Group's risk management and internal control system and the findings in the internal audit report, the Board and the Audit Committee and were not aware of any areas of concern that would have a material impact on the Group's financial position or results of operations and considered the risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, internal audit and financial reporting functions.

During year 2018, the Group Internal Audit conducted selective reviews on the effectiveness of the risk management and internal control systems over operational, financial and compliance controls of principal subsidiaries of the Group.

In addition to the review of risk management and internal controls undertaken within the Group, the external Auditor also assessed the adequacy and effectiveness of certain key risk management and internal controls as part of their statutory audits. Where appropriate, the external Auditor's recommendations are adopted and enhancements to the risk management and internal controls will be made.

Auditor's Remuneration

For the financial year ended 31st December 2018, the fee paid/payable to the Group's auditor, BDO Limited, is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services fee for 2018 annual report	630
Non-audit services	–
Total	630

Company Secretary

All Directors have access to the advice and services of the company secretary, Mr. Wan Hok Shing. The company secretary reports to the Chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with shareholders and management.

The company secretary's biography is set out in the section "Profile of Directors and Senior Management" of this Annual Report. In compliance with Rule 3.29 of the Listing Rules, Mr. Wan Hok Shing has undertaken no less than 15 hours of relevant professional training during the year ended 31st December 2018.

Dividend Policy

The Board has adopted a dividend policy effective since 1st January 2019. This policy aims to set out guidelines for the Board to determine whether dividends are to be declared and paid, and the level of dividend to be paid to the shareholders of the Company.

The Company intends to retain all available funds and earnings, if any, to finance the development and expansion of its business.

Any future determination for the declaration or recommendation of dividends will be made at the absolute discretion of the Board. In proposing any dividend payout, the Board should also take into account, inter alia, the following factors:–

1. the strategies, business cycle, operations, earnings, financial condition, cash requirements and availability as well as capital expenditure and future development requirements of the Company and its subsidiaries (the "Group");

2. the possible effects of the Group's credit-worthiness, the financial covenants to which the Group is subject and any restrictions on the payment of dividends that may be imposed by the Group's lenders;

3. the interests of the Shareholders, the dividend receivable/received by the Company from its subsidiaries and the taxation consideration;

4. any restrictions under all applicable laws (including the Companies Law of the Cayman Islands), rules, codes and regulations, the accounting policies and financial reporting standards that the Group has adopted as well as the articles of association of the Company (the "Articles of Association"); and

5. Any other factors that the Board deems appropriate.

The Company will review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy from time to time.

Shareholders' Rights

(a) Convening an Extraordinary General Meeting

Pursuant to article 72 of Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times has the right, by written requisition specifying the objects of the meeting and signed by the requisitionists to the Company's principal place of business in Hong Kong at Room 1701, 17/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(b) Putting Forward Proposals at General Meeting

There are no provisions under the Company's articles of association regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Shareholders' Rights *(Continued)*

(c) Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's principal place of business in Hong Kong at Room 1701, 17/F., World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Communication With Shareholders

The Company follows a policy of disclosing relevant information to Shareholders in a timely manner. Annual and interim reports offer comprehensive operational and financial performance information to Shareholders and the annual general meeting of the Company provides a forum for Shareholders to exchange views directly with the Board. The Company regards the annual general meeting of the Company as an important event and all Directors, management and external auditors make an effort to attend the annual general meeting of the Company to address Shareholders' queries. All the Shareholders of the Company are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company supports the code's principle to encourage Shareholders' participation. The Company has also complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of Shareholders to demand a poll are included in circulars to Shareholders of the Company dispatched by the Company where applicable.

Investor Relations

Constitutional Documents

During the year under review, there was no change made in the Company's constitutional documents.

Hong Kong, 29th March, 2019

Independent Auditor's Report

BDO

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TO THE SHAREHOLDERS OF HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hua Lien International (Holding) Company Limited ("the Company") and its subsidiaries (hereafter referred to as "the Group") set out on pages 45 to 121, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of biological assets

Refer to the accounting policies under note 4(g) and note 20 to the consolidated financial statements.

As at 31 December 2018, biological assets, which represented by growing cane, of the Group amounted to HK$25,921,000. Changes in fair value of biological assets of HK$7,162,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

Valuation of biological assets *(Continued)*

The determination of valuation of biological assets is identified as key audit matter due to key source of estimation uncertainty and the significant assumptions and judgements involved in the valuation. The valuation technique used is the discounted cash flow method under income approach which require the use of assumptions and estimates on discount rate, market prices of sugar cane, cane yield, harvesting costs, percentage of maturity of crop from planting to the valuation date, etc. Such judgement and estimates will impact the valuation of biological assets.

Our procedures in relation to the valuation of biological assets included:

- Reviewing the valuation report from independent qualified valuers and holding discussion with management and independent qualified valuers to understand the valuation basis, methodology used and underlying assumptions applied;

- Evaluating management's process in respect of reviewing the valuation performed by independent qualified valuers;

- Evaluating of the competence, capabilities and objectivity of independent qualified valuers; and

- Assessing the reasonableness of key assumptions and estimates such as discount rate, market prices of sugar cane, cane yield, harvesting costs, percentage of maturity of crop from planting to the valuation date used by independent qualified valuers.

Other Information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. This report is made solely to you, as a body, in accordance the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Amy Yau Shuk Yuen
Practising Certificate no. P06095

Hong Kong, 29 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	8	**134,490**	240,458
Cost of sales		**(143,484)**	(183,202)
Gross (loss)/profit		**(8,994)**	57,256
Changes in fair value of biological assets	20	**7,162**	13,594
Other income and expenses	9	**8,291**	5,516
Administrative expenses		**(71,248)**	(50,952)
Change in fair value of derivative component of convertible notes		**43,876**	22,305
Other operating expenses	10	**(98)**	(101,302)
Finance costs	11	**(72,151)**	(47,705)
Loss before income tax	12	**(93,162)**	(101,288)
Income tax expense	15	**–**	–
Loss for the year		**(93,162)**	(101,288)
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**4,335**	(16,466)
Total comprehensive loss for the year		**(88,827)**	(117,754)
Loss for the year attributable to:			
Owners of the Company		**(70,911)**	(91,993)
Non-controlling interests		**(22,251)**	(9,295)
		(93,162)	(101,288)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(68,371)**	(105,393)
Non-controlling interests		**(20,456)**	(12,361)
		(88,827)	(117,754)
Loss per share	17	**HK Cents**	HK Cents
– Basic		**(3.24)**	(4.20)
– Diluted		**(3.24)**	(4.20)

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	18	**13,046**	13,887
Intangible asset	19	**–**	–
Total non-current assets		**13,046**	13,887
Current assets			
Biological assets – growing cane	20	**25,921**	26,306
Inventories	21	**82,081**	70,869
Trade and other receivables	22	**78,027**	123,880
Bank balances, deposits and cash	23	**72,456**	163,265
Total current assets		**258,485**	384,320
Total assets		**271,531**	398,207
Current liabilities			
Trade and other payables	24	**74,640**	99,023
Derivative component of convertible notes	26	**7,450**	1,821
Liabilities component of convertible notes	26	**526,640**	44,183
Amount due to non-controlling interests	28	**468,594**	436,334
Total current liabilities		**1,077,324**	581,361
Net current liabilities		**(818,839)**	(197,041)
Total assets less current liabilities		**(805,793)**	(183,154)
Non-current liabilities			
Derivative component of convertible notes	26	**–**	49,505
Liabilities component of convertible notes	26	**–**	484,307
Total non-current liabilities		**–**	533,812
NET LIABILITIES		**(805,793)**	(716,966)
Capital and reserves attributable to owners of the Company			
Share capital	29	**219,118**	219,118
Reserves	30	**(889,580)**	(821,209)
Capital deficiency attributable to owners of the Company		**(670,462)**	(602,091)
Non-controlling interests		**(135,331)**	(114,875)
TOTAL CAPITAL DEFICIENCY		**(805,793)**	(716,966)

On behalf of the directors

Liu Yan
Director

Han Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company (notes 29 and 30)								
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	219,118	708,392	384,126	(70,910)	(25,391)	(1,712,033)	(496,698)	(102,514)	(599,212)
Loss for the year	–	–	–	–	–	(91,993)	(91,993)	(9,295)	(101,288)
Other comprehensive loss for the year									
– Exchange difference on translating of foreign operations	–	–	–	(13,400)	–	–	(13,400)	(3,066)	(16,466)
Total comprehensive loss for the year	–	–	–	(13,400)	–	(91,993)	(105,393)	(12,361)	(117,754)
At 31 December 2017	219,118	708,392	384,126	(84,310)	(25,391)	(1,804,026)	(602,091)	(114,875)	(716,966)
At 1 January 2018	219,118	708,392	384,126	(84,310)	(25,391)	(1,804,026)	(602,091)	(114,875)	(716,966)
Loss for the year	–	–	–	–	–	(70,911)	(70,911)	(22,251)	(93,162)
Other comprehensive income for the year									
– Exchange difference on translating of foreign operations	–	–	–	2,540	–	–	2,540	1,795	4,335
Total comprehensive loss for the year	–	–	–	2,540	–	(70,911)	(68,371)	(20,456)	(88,827)
Derecognition on maturity of convertible notes	–	–	(13,622)	–	–	13,622	–	–	–
At 31 December 2018	219,118	708,392	370,504	(81,770)	(25,391)	(1,861,315)	(670,462)	(135,331)	(805,793)

Note: Included in the capital deficiency attributable to non-controlling interests was a long-term quasi-equity loan from non-controlling interests of HK$316,640,000 (2017: HK$315,945,000).

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Loss before income tax expense	**(93,162)**	(101,288)
Adjustments for:		
Depreciation	**2,694**	8,220
Changes in fair value of biological assets	**(7,162)**	(13,594)
Changes in fair value of derivative components of convertible notes	**(43,876)**	(22,305)
Amortisation of intangible asset	**–**	5,935
Impairment loss on property, plant and equipment	**98**	29,089
Impairment loss on intangible asset	**–**	66,278
Loss on disposal of property, plant and equipment	**34**	1,582
Interest income	**(142)**	(409)
Finance costs	**72,151**	47,705
Operating (loss)/income before working capital changes	**(69,365)**	21,213
Increase in inventories	**(12,451)**	(3,345)
Decrease in trade and other receivables	**45,627**	105,950
Decrease in trade and other payables	**(24,193)**	(75,041)
Decrease in biological assets	**7,089**	5,860
Net cash (used in)/generated from operating activities	**(53,293)**	54,637
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(2,233)**	(2,263)
Interest received	**142**	409
Increase in pledged bank deposits	**(18)**	(34)
Net cash used in investing activities	**(2,109)**	(1,888)

	2018 HK$'000	2017 HK$'000
Cash flows from financing activities		
Advance from non-controlling interests	**7,563**	–
Interest paid	**(247)**	–
Payment for redemption of convertible notes	**(45,750)**	–
Proceeds from other borrowings	**3,045**	–
Repayment of other borrowings	**(3,045)**	–
Net cash used in financing activities	**(38,434)**	–
Net (decrease)/increase in cash and cash equivalents	**(93,836)**	52,749
Cash and cash equivalents at beginning of year	**161,948**	110,974
Effect of exchange rate changes on cash and cash equivalents	**3,032**	(1,775)
Cash and cash equivalents at end of year	**71,144**	161,948
CASH AND CASH EQUIVALENTS REPRESENT:		
Bank balances and cash	**70,839**	161,635
Short-term fixed deposits mature within three months	**305**	313
	71,144	161,948

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. Corporate Information

Hua Lien International (Holding) Company Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the company are disclosed in the "Corporate information" section to the Annual Report. The directors consider its immediate holding Company is China National Complete Plant Import & Export Group Corporation Limited ("**China Complant**") and its ultimate parent Company is State Development & Investment Corp., Ltd.. Both are incorporated in the People's Republic of China ("**PRC**").

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in provision of supporting services to sweetener and ethanol business, cultivation of sugar cane and manufacturing of sugar and ethanol biofuel business.

2. Adoption of HKFRSs

(a) Adoption of new or revised HKFRSs – effective 1 January 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfer of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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

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

The adoption of these amendments has no impact on these consolidated financial statements as the periods to which the transition provision exemptions related have passed.

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

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

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

The adoption of these amendments has no impact on these consolidated financial statements as the Group is not a venture capital organisation.

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

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

The adoption of these amendments has no impact on these consolidated financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statement.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("**FVTPL**"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments *(Continued)*

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised cost**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "**SPPI**" criterion). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HKFRS 9 – Financial Instruments (Continued)

(i) Classification and measurement of financial instruments *(Continued)*

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt instruments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity instruments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income is recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Trade and other receivables	Loan and receivables	Amortised cost	118,969	118,969
Bank balances, deposits and cash	Loan and receivables	Amortised cost	163,265	163,265

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECLs for trade receivables, financial assets at amortised costs and contract assets earlier than HKAS 39. Bank balances, deposits and cash are subject to ECLs model but the impairment is immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised costs, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HKFRS 9 – Financial Instruments (Continued)

(ii) Impairment of financial assets *(Continued)*

Measurement of ECLs *(Continued)*

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of the ECLs model

(I) Impairment of trade receivables and contract assets

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables and contract assets. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

These is no material impact on the Group's retained earnings as at 1 January 2018 and no restatement is made.

(II) Impairment of other receivables and deposits

All the Group's other receivables and deposits are considered to have low credit risk and there has been no significant increase in credit risk since initial recognition, therefore, the loss allowance was limited to 12 months ECLs. The identified impairment loss was immaterial.

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HKFRS 9 – Financial Instruments (Continued)

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments, if any, arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "**DIA**"):

*HKFRS 15 – Revenue from Contracts with Customers ("**HKFRS 15**")*

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations.

HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers:

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

Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring the control of goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HKFRS 15 (Continued)

The Group has changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15:

Contract liabilities in relation to the Group's obligation to transfer services or goods to customers for which the Group has received consideration (or an amount of consideration is due) from the customer were previously included in other payable and accrued liabilities.

In summary, the following adjustments were made to the amounts recognised in the opening consolidated statement of financial position on 1 January 2018:

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	HK$'000	HK$'000	HK$'000
Current liabilities			
Contract liabilities	–	762	762
Trade and other payables	99,023	(762)	98,261

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

HKFRS 15 (Continued)

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods are set out below:

Note	**Product**	**Nature of the goods, satisfaction of performance obligations and payment terms**	**Nature of change in accounting policy and impact on 1 January 2018**
(i)	Sale of sugar and molasses	Customers obtain control of the sugar and molasses when the sugar and molasses are delivered to and has been accepted. Revenue is thus recognised upon when the customers accepted the sugar and molasses. There is generally only one performance obligation.	HKFRS 15 did not result in significant impact on the Group's accounting policies. Upon the adoption of HKFRS 15, the Group has to make reclassification from other payables and accrued liabilities to contract liabilities since under HKFRS 15, if the entity has received consideration from the customers, the entity has an obligation to transfer goods to the customers, an entity should recognise a contract liability.
(ii)	Sale of goods, which including consumables, chemicals and fertiliser related to supporting services to sweetener and ethanol business	Same as above, revenue is recognised when customers accepted the goods. There is generally only one performance obligation.	HKFRS 15 did not result in significant impact on the Group's accounting policies. Same as above, the Group has to make reclassification from other payables and accrued liabilities to contract liabilities under HKFRS 15.

2. Adoption of HKFRSs *(Continued)*

(a) Adoption of new or revised HKFRSs – effective 1 January 2018 *(Continued)*

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

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

The adoption of these amendments has no impact on these consolidated financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first, year.

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

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

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

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

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

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

The adoption of these amendments has no impact on these consolidated financial statements as the Group has not paid or received advance consideration in a foreign currency.

2. Adoption of HKFRSs *(Continued)*

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

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

HKFRS 16	Lease[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020

HKFRS 16 – Leases

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$91,843,000 as disclosed in Note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2. Adoption of HKFRSs *(Continued)*

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

HKFRS 16 – Leases (Continued)

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information.

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

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

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

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2. Adoption of HKFRSs *(Continued)*

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

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material to make it easier for entities to make materiality judgements. The definition of material, an important accounting concept in HKFRS Standards, helps entities decide whether information should be included in their consolidated financial statements.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

3. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared on a going concern basis even though as of 31 December 2018, the Group's current liabilities exceeded its current assets by HK$818,839,000. The management is of the opinion that this basis is appropriate because the shareholders have undertaken to provide continuing financial support, including not to recall the amount due to them of HK$995,234,000 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. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company and all amounts are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

4. Significant Accounting Policies

(a) Business combinations and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "**Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. Significant Accounting Policies *(Continued)*

(a) Business combinations and basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interest in subsidiaries is stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Freehold land is not depreciated. The useful lives are as follows:

Buildings	20 years
Furniture and equipment	4 to 10 years
Computers	4 years
Plant and machinery	10 years
Motor vehicles	4 years
Bearer plants	3 to 7 years

4. Significant Accounting Policies *(Continued)*

(c) Property, plant and equipment *(Continued)*

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

4. Significant Accounting Policies *(Continued)*

(e) Intangible asset

(i) Acquired intangible asset

The intangible asset represented non-contractual customer lists and relationship was stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and accumulated impairment losses. Amortisation of intangible asset is charged to profit or loss on a straight line basis over its estimated useful life unless such life is indefinite. The customer relationship is amortised from the date they are available for use and its estimated useful life is 20 years. Both the period and method of amortisation and any conclusion drawn about the useful life of the patent are reviewed annually.

(ii) Impairment

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately when an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(f)A Financial instruments (accounting policies applied from 1 January 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

(f)A Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. Significant Accounting Policies *(Continued)*

(f)A Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at FVTPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amount due to non-controlling interests, and the liabilities component of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. Significant Accounting Policies *(Continued)*

(f)A Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(iv) Convertible notes

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share capital). Where the option remains unexercised at the expiry dates, the balance stated in convertible notes equity reserve will be released to the accumulated losses. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

(v) Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Significant Accounting Policies *(Continued)*

(f)A Financial instruments (accounting policies applied from 1 January 2018) *(Continued)*

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(f)B Financial instruments (accounting policies applied until 31 December 2017)

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. Significant Accounting Policies *(Continued)*

(f)B Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(i) Financial assets *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

4. Significant Accounting Policies *(Continued)*

(f)B Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(ii) Impairment loss on financial assets (Continued)

For loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. Significant Accounting Policies *(Continued)*

(f)B Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(iii) Financial liabilities (Continued)

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible notes containing liability component, conversion option and put option derivatives

Convertible notes issued by the Group that contain liability, conversion option components and put options derivatives (which are not closely related to host liability component) are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. The put option held by the note holders to request the Company to redeem the convertible notes is a derivative. At the date of issue, both the liability and derivative components are measured at fair value.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the sum of fair value assigned to the liability component and fair value assigned to the put option derivative, representing the conversion option for the holder to convert the notes into equity, is included in convertible notes equity reserve.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The put option derivative is measured at fair value with changes in fair value recognised in profit or loss. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share capital and share premium). No gain or loss is recognised upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

4. Significant Accounting Policies *(Continued)*

(f)B Financial instruments (accounting policies applied until 31 December 2017) *(Continued)*

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(g) Biological assets

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period while agricultural produce are measured at fair value less costs to sell at the point of harvest, which is deemed as the cost at that date when the agricultural produce becomes inventory or additional biological assets.

If an active market exists for a biological asset or agricultural produce with reference to comparable species, growing condition and expected yield of the crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers. The gain or loss arising on initial recognition and subsequent changes in fair values less costs to sell of biological assets is recognised in profit or loss in the period in which it arises.

4. Significant Accounting Policies *(Continued)*

(g) Biological assets *(Continued)*

Growing cane is accounted for as biological assets. Biological assets are stated at fair value with any resultant gain or loss recognised in the consolidated statement of profit or loss and other comprehensive income. Growing cane will be written off in the period the sugar production is expected to generate revenue.

Growing cane, which are valued at fair value based on estimated sucrose content, age and market price, less estimated harvesting and transport costs.

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception./Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

4. Significant Accounting Policies *(Continued)*

(i) Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

(i) Sales of goods, including sugar, molasses, consumables, chemicals and fertiliser

Customers obtain control of the goods when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is generally only one performance obligation. In the comparative year, revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customers.

(ii) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Revenue recognition (accounting policies applied until 31 December 2017)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group's accounting policy for recognition of rental income from operating leases is described in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Significant Accounting Policies *(Continued)*

(i) Revenue recognition (accounting policies applied from 1 January 2018) *(Continued)*

Contract liabilities (accounting policies applied from 1 January 2018)

A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(j) Foreign currency

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

4. Significant Accounting Policies *(Continued)*

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(l) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(m) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

4. Significant Accounting Policies *(Continued)*

(m) Income taxes *(Continued)*

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

(n) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(o) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment under cost model;
- interests in leasehold land held for own use under operating leases; and
- interest in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. Significant Accounting Policies *(Continued)*

(p) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

4. Significant Accounting Policies *(Continued)*

(r) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply: *(Continued)*

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Fair values of biological assets

As described in Note 20, the directors of the Company use their judgements and estimates in determining the fair value of biological assets. The fair values are determined using a discounted cash flow valuation technique based on assumptions including the estimated market prices and estimated yields. These inputs involved critical estimate because there is presently an absence of effective financial instruments for hedging against the pricing risks from the unexpected volatility in market prices and the estimated yield is also strongly affected by the unusual agricultural hazards like fire and other natural occurrences like hurricane and the forces of nature like drought. At 31 December 2018, the fair value of the Group's growing cane has been determined by independent valuation firm. The fair value of biological assets as at 31 December 2018 is HK$25,921,000 (2017: HK$26,306,000). Details of the assumptions used are disclosed in Note 20.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(b) Depreciation

The Group depreciates the property, plant and equipment over their estimated useful life and after taking into account of their estimated residual values, using the straight line method. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

(c) Estimated impairment losses on trade receivables

As disclosed in Notes 7(b) and 22, the measurement of impairment losses under both HKFRS 9 and HKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment if a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(d) Impairment loss on property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amounts of its property, plant and equipment with finite useful lives and identified if there is indication that those assets may suffer an impairment loss. If impairment indicators are identified, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as cash flow projections and discount rates to calculate the discounted present value of the future cash flows expected to arise from the continuing use of the property, plant and equipment and intangible assets and from its disposal at the end of its useful life.

As at 31 December 2018, the carrying amount of property, plant and equipment is HK$13,046,000 respectively (2017: HK$13,887,000).

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(e) Fair value measurements and valuation processes

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);
Level 2: Observable direct or indirect inputs other than Level 1 inputs;
Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the biological assets and derivative component of convertible notes at fair value and please refer to Note 20 and 26(b) respectively for detailed information.

(f) Going concern assumption

As explained in Note 3(b) contain information about the consolidated financial statements have been prepared on a going concern basis even though as of 31 December 2018, the Group's current liabilities exceeded its current assets by HK$818,839,000 (2017: HK$197,041,000). The management is of the opinion that this basis is appropriate because the shareholders have undertaken to provide continuing financial supports, including not to recall the amount due to them of HK$995,234,000 until the Group is able to pay the other creditors in the normal course of business, in order to maintain the Group as a going concern.

Should the Group be unable to continue as a going concern, adjustment would have to be made to restate the value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of those potential adjustments has not been reflected in the consolidated financial statements.

6. Capital Risk Management

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners of the Company and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners of the Company, return capital to owners of the Company, issue new shares or sell assets to reduce debt.

During the year, the Group's strategy remained unchanged. The Group monitors capital risk on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The management considers the gearing ratio at the end of each reporting period was as follows:

	2018 HK$'000	2017 HK$'000
Total borrowings	**995,234**	964,824
Total capital deficiency	**(670,462)**	(602,091)
Total borrowings to total equity ratio	**N/A**	N/A

Total borrowings include liabilities component of convertible notes and amount due to non-controlling interests.

There was capital deficiency of approximately HK$670,462,000 as at 31 December 2018, calculation of gearing ratio as at 31 December 2018 was inappropriate.

7. Financial Risk Management

a. Categories of financial instruments

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2018 and 2017 were categorised as follows:

	2018 HK$'000	2017 HK$'000
Financial assets		
At amortised cost (including cash and cash equivalents)	**146,632**	282,234
Financial liabilities		
At amortised cost	**1,069,874**	1,063,085
At FVTPL	**7,450**	51,326

7. Financial Risk Management *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, deposits and cash, trade and other payables, convertible notes and amount due to non-controlling interests. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk

The transactions of the Group's principal subsidiaries are denominated and settled in its respective functional currency. However, there are certain monetary assets and monetary liabilities denominated in foreign currencies in respect of the relevant group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, which are considered as significant by the management, at the end of the reporting period are as follows:

	2018 **HK$'000**	2017 HK$'000
Monetary assets		
United States Dollar ("**USD**")	**1,808**	288,360
Monetary liabilities		
USD	**473,577**	437,508

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. 10% (2017: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2017: 10%) change in foreign currency rates. A negative number below indicates an increase in post-tax loss for the year where the functional currency of the relevant group entity strengthen 10% (2017: 10%) against the relevant foreign currency. For a 10% (2017: 10%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on pre-tax loss for the year.

7. Financial Risk Management *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Foreign currency risk *(Continued)*

	Impact on profit or loss	
	2018	2017
	HK$'000	HK$'000
USD	**(47,177)**	(14,915)

The above impacts are mainly attributable to the exposure outstanding on receivables, payables, amount due to non-controlling interest and bank balances in the respective foreign currency at year end.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and amount due to non-controlling interest. Details of the bank balances and amount due to non-controlling interests are disclosed in Notes 23 and 28, respectively.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease (2017: increase/decrease) the Group's loss after tax and accumulated losses by approximately HK$2,813,000 (2017: HK$2,771,000) for the year. This is mainly attributable to the Group's exposure to interest rates on bank balances and amount due to non-controlling interests.

The sensitivity analysis above has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The 100 basis points (2017: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates. The analysis is performed on the same basis for the year ended 31 December 2017.

7. Financial Risk Management *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to this credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers. Trade receivables are due within 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. Debtors with balances that are more than 12 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has concentration of credit risk on trade receivables as 5% (2017: 88%) of the total receivable was due from the Group's five largest customers. As at 31 December 2018, no trade receivables were due from the Group's largest customer (2017: 13%). The Group's concentration of credit risk by geographical location is mainly in African countries, which accounted for 90% (2017: 85%) of the total trade receivables as at 31 December 2018.

In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with high credit rating.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Weighted average lifetime ECL rate	**Gross carrying amount**	**Lifetime ECLs**	**Net carrying amount**
	%	HK$'000	HK$'000	HK$'000
Current (not past due)	2.0%	3,384	(68)	3,316
1-90 days past due	4.0%	34,568	(1,382)	33,186
91-180 days past due	6.0%	1,956	(117)	1,839
181-365 days past due	10.0%	701	(70)	631
1-2 years past due	20.0%	28,472	(5,698)	22,774
Over 2 years past due	74.5%	43,987	(32,779)	11,208
Total		113,068	(40,114)	72,954

7. Financial Risk Management *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 4(f)B(ii)). At 31 December 2017, trade receivables of HK$40,144,000 was determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 HK$'000
Current (not past due)	44,359
1-90 days past due	23,362
91-180 days past due	346
181-365 days past due	5,744
More than 365 days past due	43,707
	117,518

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowances in respect of trade receivables during the year is as follows:

	2018 **HK$**	2017 HK$
Balances at 1 January and 31 December	**40,114**	40,114

7. Financial Risk Management *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group regularly monitors its liquidity requirements and its compliance with lending covenants and ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	Less than 1 year or on demand HK$'000	**Between 1 to 2 years** HK$'000	**Total undiscounted cash flows** HK$'000	**Carrying amount** HK$'000
At 31 December 2018				
Trade and other payables	**74,640**	**–**	**74,640**	**74,640**
Liabilities component of convertible notes	**533,700**	**–**	**533,700**	**526,640**
Amount due to non-controlling interests	**492,579**	**–**	**492,579**	**468,594**
	1,100,919	**–**	**1,100,919**	**1,069,874**
At 31 December 2017				
Trade and other payables	98,261	–	98,261	98,261
Liabilities component of convertible notes	45,750	533,700	579,450	528,490
Amount due to non-controlling interests	457,307	–	457,307	436,334
	601,318	533,700	1,135,018	1,063,085

Environmental and climate change risk

The Group's sugar business depends significantly on the ability to harvest sugar canes in the concession. The ability to harvest sugar canes and the growth of the sugar canes in the plantations may be affected by unfavorable local weather conditions and natural disasters. Weather conditions such as drought, flooding, disease outbreaks, cyclones and windstorms are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of sugar canes available for harvesting in the concessions, or otherwise impede the Group's harvesting operations or the growth of the sugar canes in the plantations, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and in a timely manner.

7. Financial Risk Management *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Environmental and climate change risk (Continued)

The Group's geographic spread of farms allows a high degree of mitigation against adverse climate conditions such as drought, flooding and disease outbreaks. The Group has strong environmental policies and procedures in place to comply with environmental laws.

The seasonal nature of the cane farming business requires a high level of cash flows at different times of the year. The Group actively manages its working capital requirements and has secured credit facilities sufficient to meet its cash flow requirements.

c. Fair values

(i) Financial instruments carried at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of the Group's financial instruments, including put option embedded in convertible notes which is categorised into Level 3 of the fair value hierarchy was valued by the directors with reference to a valuation report issued by BMI Appraisals Limited ("**BMIA**"), an independent valuation firm.

	Carrying amount at 31 December 2018	Fair value at 31 December 2018	Fair value measurements As at 31 December 2018 Categorised into		
			Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative component of convertible notes	7,450	7,450	–	–	7,450

7. Financial Risk Management *(Continued)*

c. Fair values *(Continued)*

(i) *Financial instruments carried at fair value (Continued)*

Fair value hierarchy *(Continued)*

	Carrying amount at 31 December 2017 HK$'000	Fair value at 31 December 2017 HK$'000	Fair value measurements As at 31 December 2017 Categorised into Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Derivative component of convertible notes	51,326	51,326	–	–	51,326

During the year ended 31 December 2018 and 2017, there were no transfers among fair value hierarchies.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Expected volatility**
Derivative component of convertible notes	Binomial model	Expected volatility	102.66% (2017: 58.68% to 75.23%)

The fair value of derivative component of convertible notes is determined using binomial model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is negatively correlated to the expected volatility. As at 31 December 2018, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 1% would have increased/decreased the Group's loss by HK$75,000 (2017: increased/decreased by HK$513,000).

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	2018 HK$'000	2017 HK$'000
Derivative component of convertible notes:		
At 1 January	**51,326**	73,631
Changes in fair value recognised in profit or loss during the year	**(43,876)**	(22,305)
At 31 December	**7,450**	51,326

7. Financial Risk Management *(Continued)*

c. Fair values *(Continued)*

(ii) Fair values of financial instruments carried at other than fair value

In respect of cash and cash equivalents, trade and other receivables, and trade and other payables, the carrying amounts approximate their fair value due to the relatively short-term nature of these financial instruments.

The aggregate carrying values of other financial liabilities carried on the consolidated statement of financial position are not materially different from their fair values as at 31 December 2018.

(iii) The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input;

- the fair value of derivative component of convertible notes is based on models set out in Note 26(b).

8. Turnover and Segment Information

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

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

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**").

8. Turnover and Segment Information *(Continued)*

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

	Supporting services HK$'000	Sugar business HK$'000	Ethanol business HK$'000	Total HK$'000
Year ended 31 December 2018				
Segment revenue from contracts with customer within the scope of HKFRS 15:				
Segment revenue	–	134,490	–	134,490
Inter-segment sales	–	–	–	–
Segment revenue to external customers	–	134,490	–	134,490
Segment result	(18,066)	(75,466)	2,068	(91,464)
Unallocated corporate income				41,172
Finance costs				(42,870)
Loss before income tax				(93,162)
At 31 December 2018				
Assets and liabilities				
Segment assets	96,304	150,814	11,177	258,295
Corporate and other unallocated assets				13,236
Total assets				271,531
Segment liabilities	49,353	492,587	–	541,940
Corporate and other unallocated liabilities				535,384
Total liabilities				1,077,324

8. Turnover and Segment Information *(Continued)*

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

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 described in Note 4. Segment result represents the (loss)/profit by each segment without allocation of central administration expenses, 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.

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

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

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

8. Turnover and Segment Information *(Continued)*

Other reportable segment information

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

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

Geographic Information

Revenue from external customers

	2018 HK$'000	2017 HK$'000
African countries	**–**	98,686
Jamaica	**96,262**	121,169
The United States	**16,977**	–
European countries	**21,251**	19,670
Caribbean countries	**–**	933
	134,490	240,458

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

8. Turnover and Segment Information *(Continued)*

Geographic Information *(Continued)*

Non-current assets

	2018 **HK$'000**	2017 HK$'000
African countries	**19**	23
Jamaica	**12,943**	13,756
PRC	**84**	108
	13,046	13,887

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

Information about major customers

The Group has identified six customers (2017: five) which individually represented over 10% of the Group's total external sales.

The sales to the major customers during the years are as follow:

	2018 **HK$'000**	2017 HK$'000
Company A[1]	**28,099**	–
Company B[1]	**20,272**	N/A[3]
Company C[1]	**19,050**	25,466
Company D[1]	**19,041**	–
Company E[1]	**18,185**	40,747
Company F[1]	**17,170**	32,193
Company G[2]	**–**	70,214
Company H[2]	**–**	28,472

Note

1 Revenue from Sugar business segment

2 Revenue from Supporting services segment

3 The corresponding revenue did not contribute over 10% of the total external sales of the Group

9. Other Income and Expenses

	2018 HK$'000	2017 HK$'000
Loss on disposal of property, plant and equipment	(34)	(1,582)
Interest income	158	409
Rental income	2,927	3,191
Sundry income	5,240	3,498
	8,291	5,516

10. Other Operating Expenses

	2018 HK$'000	2017 HK$'000
Amortisation of intangible assets (Note 19)	–	5,935
Impairment loss on property, plant and equipment (Note 18)	98	29,089
Impairment loss on intangible assets (Note 19)	–	66,278
	98	101,302

11. Finance Costs

	2018 HK$'000	2017 HK$'000
Interest on amount due to non-controlling interests	23,636	20,739
Interest on other borrowings	247	–
Imputed interest expenses on convertible notes (Note 26)	43,900	41,927
Exchange gain/(loss) on borrowings	4,368	(14,961)
	72,151	47,705

12. Loss Before Income Tax

The Group's loss before income tax has been arrived at after charging:

	2018 HK$'000	2017 HK$'000
Staff costs, including directors' remuneration (Note 13):		
Directors' remuneration	**1,147**	801
Retirement benefits scheme contributions	**4,392**	4,041
Other staff costs	**49,664**	40,305
	55,203	45,147
Cost of inventories recognised as expenses	**143,484**	183,202
Auditor's remuneration	**630**	630
Depreciation of property, plant and equipment	**2,694**	8,220
Loss on disposal of property, plant and equipment	**34**	1,582

13. Directors' and Chief Executives' Remuneration

The remuneration paid or payable to each of the eight (2017: thirteen) directors who are also the chief executives of the Group were as follows:

For the year ended 31 December 2018

	Director's fee HK$'000	Basic salaries and allowances HK$'000	Performance bonus HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Directors					
Liu Xueyi	–	–	–	–	–
Han Hong	–	–	–	–	–
Wang Zhaohui	–	757	–	150	907
Non-executive Directors					
Liu Yan	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Independent Non-executive Directors					
Cheng Tai Kwan	80	–	–	–	80
Lu Heng Henry	80	–	–	–	80
Shi Zhu	80	–	–	–	80
	240	757	–	150	1,147

13. Directors' and Chief Executives' Remuneration *(Continued)*

For the year ended 31 December 2017

	Director's fee HK$'000	Basic salaries and allowances HK$'000	Performance bonus HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
Executive Directors					
Liu Xueyi	–	–	–	–	–
Han Hong	–	–	–	–	–
Wang Zhaohui	–	528	–	92	620
Hu Yebi (retired on 5 July 2017)	61	–	–	–	61
Xu Dandan (resigned on 20 July 2017)	–	–	–	–	–
Non-executive Directors					
Liu Yan (Appointed on 12 December 2017)	–	–	–	–	–
Zhang Jian (Appointed on 12 December 2017)	–	–	–	–	–
Independent Non-executive Directors					
Cheng Tai Kwan (Appointed on 12 December 2017)	4	–	–	–	4
Shi Zhu (Appointed on 12 December 2017)	4	–	–	–	4
Lu Heng Henry (Appointed on 12 December 2017)	4	–	–	–	4
Zheng Liu (retired on 5 July 2017)	51	–	–	–	51
Yu Chi Jui (removed on 12 December 2017)	29	–	–	–	29
Li Xiao Wei (removed on 12 December 2017)	28	–	–	–	28
	181	528	–	92	801

Note:

During the years ended 31 December 2017 and 2018, no emoluments were paid by the Group to the directors and the five highest paid individuals (including the directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the years ended 31 December 2017 and 2018.

14. Five Highest Paid Individual's Remuneration

Of the five individuals with the highest emoluments in the Group, one (2017: one) was director of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining four (2017: four) individuals were as follows:

	2018 **HK$'000**	2017 HK$'000
Basic salaries and allowances	**2,126**	1,995
Performance bonus	**1,370**	1,359
Retirement benefits scheme contributions	**482**	219
	3,978	3,573

The remuneration is within the following bands:

	Number of employees	
	2018	2017
HK$Nil to HK$1,000,000	**2**	4
HK$1,000,000 to HK$1,500,000	**2**	–

15. Income Tax Expense

No provision for income tax expense had been made as the Company and subsidiaries have no assessable profits in their jurisdictions for the years ended 31 December 2018 and 2017.

Hong Kong Profits Tax is 16.5% (2017: 16.5%) on the assessable profits.

Jamaica Corporate Income is 30% (2017: 30%) on assessable profits arising in Jamaica. The Government of Jamaica, through the Ministry of Finance and Public Services, granted Pan-Caribbean Sugar Company Limited ("**PCSC**") 20 year period of relief from corporate income tax effective on the commencement of operations, with the option to apply for a renewal.

Benin Standard Corporate Income Tax rate is 30% (2017: 30%). Compagnie Beninoise De Bioenergie ("**CBB**") is eligible for certain tax holiday and concessions and were exempted from Benin income tax for both year.

	2018 **HK$'000**	2017 HK$'000
Loss before income tax expense	**(93,162)**	(101,288)
Tax at the domestic income tax rate of 30%	**(27,948)**	(30,386)
Tax effect of income not taxable for tax purpose	**6,063**	(436)
Tax effect of expenses not deductible for tax purpose	**380**	25,269
Tax effect of a subsidiary with tax exemption	**27,463**	2,961
Tax effect of subsidiaries in other jurisdictions	**(5,958)**	2,592
	–	–

16. Dividend

No dividend was paid or proposed during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: HK$Nil).

17. Loss per share

The calculation of basic loss per share is based on the consolidated loss for the year attributable to owners of the Company of HK$70,911,000 (2017: HK$91,993,000), and the weighted average number of 2,191,180,000 (2017: 2,191,180,000) ordinary shares in issue during the year.

No adjustment has been made to the loss per share accounts presented for the years ended 31 December 2018 and 2017 in respect of dilution as the impacts of the convertible notes outstanding had an anti-dilutive effect on the loss per share accounts presented.

18. Property, Plant And Equipment

	Freehold land HK$'000	Buildings HK$'000	Furniture and equipment HK$'000	Computers HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in Progress HK$'000	Bearer plants HK$'000	Total HK$'000
COST									
At 1 January 2017	2,045	18,863	2,247	539	163,292	32,996	660,169	43,867	924,018
Additions	–	–	87	–	–	–	–	2,176	2,263
Transfer	–	–	–	3,262	511,808	–	(515,070)	–	–
Disposals	–	–	(19)	(67)	(4,382)	(967)	–	–	(5,435)
Exchange realignment	78	716	63	56	11,936	1,255	34,051	1,689	49,844
At 31 December 2017 and 1 January 2018	2,123	19,579	2,378	3,790	682,654	33,284	179,150	47,732	970,690
Additions	–	–	5	–	847	–	26	1,355	2,233
Disposals	–	–	–	–	–	–	–	(1,359)	(1,359)
Exchange realignment	(37)	(342)	(26)	(66)	(11,939)	(581)	(1,414)	(835)	(15,240)
At 31 December 2018	2,086	19,237	2,357	3,724	671,562	32,703	177,762	46,893	956,324
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT									
At 1 January 2017	1,897	17,831	2,113	531	155,973	32,341	625,007	39,576	875,269
Provided for the year	–	121	42	44	5,874	179	–	1,960	8,220
Transfer	–	–	–	3,009	476,155	–	(479,164)	–	–
Disposals	–	–	(3)	(65)	(2,818)	(967)	–	–	(3,853)
Impairment loss recognised (Note (i))	11	68	3	15	28,199	36	13	744	29,089
Exchange realignment	72	678	57	55	11,341	1,231	33,120	1,524	48,078
At 31 December 2017 and 1 January 2018	1,980	18,698	2,212	3,589	674,724	32,820	178,976	43,804	956,803
Provided for the year	–	84	38	50	778	196	–	1,548	2,694
Disposals	–	–	–	–	–	–	–	(1,325)	(1,325)
Impairment loss recognised	–	–	–	–	–	–	–	98	98
Exchange realignment	(35)	(326)	(25)	(62)	(11,801)	(570)	(1,412)	(761)	(14,992)
At 31 December 2018	1,945	18,456	2,225	3,577	663,701	32,446	177,564	43,364	943,278
CARRYING VALUES									
At 31 December 2018	141	781	132	147	7,861	257	198	3,529	13,046
At 31 December 2017	143	881	166	201	7,930	464	174	3,928	13,887

(i) During the year ended 31 December 2017, based on value-in-use calculations using cash flow projections discounted at 23% for the CGUs conducted by the independent qualified valuers, the value in use of the property, plant and equipment for that sugar estate will fall below its recoverable amount, impairment loss on property, plant and equipment of HK$29,089,000 was recognised.

19. Intangible Asset

	Customer Relationship HK$'000
COST	
At 1 January 2017, 31 December 2017 and 31 December 2018	423,000
ACCUMULATED AMORTISATION	
As at 1 January 2017	350,787
Provided for the year	5,935
Impairment loss for the year (Note 10)	66,278
As at 31 December 2017, 1 January 2018 and 31 December 2018	423,000
CARRYING VALUES	
At 31 December 2017 and 31 December 2018	–

Impairment Tests and Loss of Intangible Asset

i. Details and movement of the value of the intangible assets

Initially, the intangible asset represented customer relationship purchased as part of a business combination of Sino-Africa Technology & Trading Limited ("**SATT**") in February 2009. As detailed in the valuation report at the time of acquisition in February 2009, the customer relationship of the SATT at date of acquisition was only consisted of four customers, namely, the La Sucrerie de COMPLANT de Madagascar ("**African Company 1**"), COMPLANT Magbass Sugar Complex Company Limited ("**African Company 2**"), La Sucrerie de COMPLANT du Benin ("**African Company 3**"), Sucrerie Cote Ouest de COMPLANT de Madagascar (Ouest Sucre) ("**African Company 4**"). African Company 1, 2, 3 and 4 are all indirect subsidiaries of COMPLANT International Sugar Industry Co., Limited ("**COMPLANT**") which is a substantial shareholder holding 13.69% shares of the Company. Due to subsequent business development of SATT, two fellow subsidiaries of SATT, namely CBB and PCSC were added as new customers in 2012 and 2013 respectively after the independent shareholders approved their annual caps for the continuing connected transactions. The addition of these two customers was considered as part of customer relationship for the purpose of SATT CGU (as defined below in Note (iii)) valuation even though no restatement of cost of the intangible assets for these internally generated intangible assets.

The customer relationship represents the present value of the future cash flow attributed to established customer base and other business relationships built up by SATT in African and other nations and has a definite useful life and is amortised on straight-line basis over the estimated useful life of 20 years. The movement of value of the intangible assets for 2017 was set out above.

19. Intangible Asset *(Continued)*

Impairment Tests and Loss of Intangible Asset *(Continued)*

ii. Reasons and details of events and circumstances that led to impairment loss of intangible asset in 2017

The impairment loss of intangible asset in 2017 was mainly for reason that the operating results of two of its customers, namely PCSC and CBB, who owe a total of approximately HK$129.1 million to SATT did not show much improvement even PCSC suspended two of its sugar estates and one of its sugar factory in 2016. The length of time it will take by these two customers to repay its debts to SATT has reassessed in 2017. The projected working capital requirement was higher than that expected in 2016 for the next five years resulting from the expected lengthening of the repayment time by PCSC and CBB. The increase in net working capital requirement will reduce the free cash flow and this has the effect of lowering the value-in-use ("**VIU**") valuation of SATT CGU (as defined below in Note (iii)) in 2017.

Save as disclosed hereinabove, the Company is not aware of any other significant reason or change in circumstances during the year ended 31 December 2017 leading to impairment loss of the intangible asset.

iii. The methodology and key assumptions adopted in assessing the impairment loss

In accordance with the Group's accounting policies and HKAS 36 – Impairment of Assets issued by the Hong Kong Institute of Certified Public Accountants, each asset or cash-generating unit ("CGU") is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. Given the fact that the Group's loss-making position for the year ended 31 December 2017, the Company has engaged the independent valuer, BMIA, to conduct impairment review of the intangible asset related to SATT for the year ended 31 December 2017.

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and VIU. For the impairment assessment of intangible asset, the assets and liabilities under the business segment of supporting services to sugar business is treated as separate CGU ("**SATT CGU**'). The recoverable amounts of SATT CGU are estimated based on its VIU, determined by discounting the future cash flows to be generated from the continuing use of the intangible assets and other assets. Set out below are the methodology and key assumptions adopted in such valuation:

	2017
Methodology	Income Approach (i.e. discounted free cash flow method)
Forecast periods	For the five years ending 31 December 2022
Growth rate within the five-year period	3.00%
Growth rates of Cash flows beyond the five-year periods	3.00%
Discount rate	14.31%

19. Intangible Asset *(Continued)*

Impairment Tests and Losses of Intangible Assets *(Continued)*

iii. The methodology and key assumptions adopted in assessing the impairment loss (Continued)

Other assumptions applicable to valuation of SATT CGU for 2017 that adopted by BMIA are as follows:

- All licenses issued by any authorized entity that will materially affect the operation of SATT have been obtained or can be obtained upon request;
- There will be no material change in the political, legal, fiscal, technological, market and economic conditions in the jurisdiction where SATT operates;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The core operation of SATT will not differ materially from those of present or expected;
- The information in respect of SATT have been prepared after due and careful consideration by the senior management of the Company; and
- There will be no human disruptions or natural disasters that will materially affect the operation of SATT.

Remarks

1. The discounted free cash flow method requires estimates concerning future cash flows and associated discount rate and growth rate assumptions which are based on the management's expectation of future business performance and prospects of SATT; and
2. Except the change in estimate of the amount of working capital required, the same.

iv. The calculation of impairment loss on intangible asset for 2017

On the basis of the above methodology and key assumptions, the assessed VIU valuation of the SATT CGU in 2017 by BMIA was approximately HK$135 million. The way by which the impairment loss in 2017 was calculated by comparing the recoverable amount of SATT with the carrying value of assets. The calculation impairment loss is supported by the VIU valuation of SATT by BMIA. The assessed VIU valuation of the SATT CGU in 2017 was approximately HK$135 million and the calculation will further consider the recoverable amount of assets under the SATT CGU in term of 'fair value less costs to sell', the trade and other receivables and property plant and equipment have fair value less cost to sell equal to carrying value of those assets and no impairment on these assets. Therefore, the decrease in VIU valuation of SATT CGU was only triggered an additional impairment loss of approximately HK$66.3 million in respect of the carrying amount of the intangible assets attributable to the customer relationship of SATT in 2017.

19. Intangible Asset *(Continued)*

Impairment Tests and Losses of Intangible Assets *(Continued)*

v. Factors, events and circumstances of the impairment of intangible assets cannot be anticipated at the time of acquisition of the intangible assets in February 2009

The above shown clearly that the impairment loss was due to the subsequent abrupt market and operation changes in 2017 and the new changes in customer relationship of the SATT CGU years after the acquisition in 2012 and 2013. Those changes were happened years after the acquisition and were therefore impossible to forecast at time of acquisition in February 2009.

20. Biological Assets – Growing Cane

Movement in biological assets, representing growing cane before harvest, are summarised as follows:

	2018 **HK$'000**	2017 HK$'000
Opening balance (level 3 recurring fair value)	**26,306**	17,809
Cane cultivation cost capitalized	**31,237**	35,280
Decrease in fair value of cane harvested	**(38,326)**	(41,140)
Changes in fair value	**7,162**	13,594
Exchange realignment	**(458)**	763
Closing balance (level 3 recurring fair value)	**25,921**	26,306

The fair value of biological assets is a level 3 recurring fair value measurement. The increase in fair value of biological assets for the year ended of approximately HK$7,162,000 (2017: a increase in fair value of approximately HK$13,594,000) is reflected in the consolidated statement of profit or loss.

Valuation Methodology of Biological Assets

The Group has engaged BMIA, an independent valuation firm, to determine the fair value of the biological assets as at 31 December 2018 (the "**Valuation Date**").

i. Valuation techniques and assumptions

The valuation technique used is the discounted cash flow method under income approach it requires to assess a series of variables, which include the discount rate, market prices of sugar cane, cane yield, planting costs, etc. The values of such variables are determined by the independent valuers using information supplied by the Group, proprietary and third-party data as well as under some assumptions. There were no changes to the valuation techniques during the period. Major assumptions adopted for valuation are listed below:

a. The sugar cane crop is a perennial crop with a one year crop cycle and the crop is reaped exactly one year after planting;

b. The sugar cane crop experiences linear growth; and

c. The economic life of the sugar cane crop is 7 years.

20. Biological Assets – Growing Cane *(Continued)*

Valuation Methodology of Biological Assets *(Continued)*

ii. Significant unobservable inputs

The major inputs for the above valuation models are discount rate, cane yield per hectare, market prices of sugar canes and estimated maturity of cane. The values of such inputs are as follows:

1) The discount rate applied for the year ended 31 December 2018 was 20.0% (2017: 20.0%).

2) The estimated cane yield per hectare represents the harvest level of the sugar canes. The yield of sugar canes is affected by the age, species and health of the cane roots, the climate, location, soil conditions, topography and agricultural infrastructure.

	Frome	
	2018	2017
Estimated yield (tones cane/hectare) (approximately)	**57.6**	57.4

3) The market prices variables represent the estimated market price for the sugar canes produced by the Group.

	2018	2017
Estimated Market Price (approximately)	**J$3,500 (HK$217)**	J$3,400 (HK$214)

4) The average maturity of cane as calculated by plant date and Valuation Date.

	2018	2017
Weighted average maturity of cane per hectare (approximately)	**87.3%**	86.9%

The higher the discount rate, the lower the fair value. The higher the estimated cane yield per hectare, market prices variables and average maturity of cane, the higher the fair value.

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

21. Inventories

	2018 HK$'000	2017 HK$'000
Consumables and components	**56,601**	53,152
Goods in transit	**18**	18
Sugar and molasses	**25,462**	17,699
Carrying amount at end of the year	**82,081**	70,869

At 31 December 2018, the sugar and molasses consisted of 5,732 tonnes (2017: 3,232 tonnes) of raw sugar amounted to HK$25,035,000 (2017: HK$17,070,000) and 463 tonnes (2017: 726 tonnes) of molasses amounted to HK$427,000 (2017: HK$629,000).

22. Trade and Other Receivables

	2018 HK$'000	2017 HK$'000
Trade receivables	**113,068**	157,632
Less: Impairment loss	**(40,114)**	(40,114)
	72,954	117,518
Prepayments	**3,851**	4,911
Other receivables and deposits	**1,222**	1,451
	78,027	123,880

The Group does not hold any collateral over these balances.

The Group allows a credit period of 365 days (2017: 365 days) to its customers of supporting services of sweetener and ethanol business, 30 days (2017: 30 days) to customers of raw sugar trading and 60 days to customers of molasses trading. The following is an aged 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:

	2018 HK$'000	2017 HK$'000
0 – 30 days	**9,318**	28,238
31 – 60 days	**175**	11,849
61 – 90 days	**57**	4,709
91 – 365 days	**2,042**	2,043
> 365 days	**101,476**	110,793
	113,068	157,632

22. Trade and Other Receivables *(Continued)*

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

The Group recognised impairment loss based on the accounting policy stated in Notes 4(f)A(ii) and 4(f)B(ii) for the years ended 31 December 2018 and 2017 respectively.

Trade receivables are due within 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. Further details on the group's credit policy and credit risk arising from trade receivables are set out in Note 7(b).

23. Bank Balances, Deposits and Cash

	2018 **HK$'000**	2017 HK$'000
Bank balances and cash	**70,839**	161,632
Short-term fixed deposits mature within three months	**305**	316
Cash and cash equivalents	**71,144**	161,948
Pledged bank deposits	**1,312**	1,317
	72,456	163,265

Bank balances carry interest at market rates which range from 1% to 3.75% (2017: 1% to 3.75%) per annum.

Bank deposits of HK$1,312,000 (2017: HK$1,317,000), were pledged to secure against the bank guarantee of HK$1,236,000 (2017: HK$1,258,000) in Jamaica during the year ended 31 December 2018. The cash collateral account carried interest at 3.5% per annum (2017: 3.5% per annum) for the year ended 31 December 2018.

24. Trade and Other Payables

	2018 HK$'000	2017 HK$'000
Trade payables		
– Supporting services of sweetener and ethanol business	–	58,300
– Sugar business	15,667	3,341
	15,667	61,641
Other payables and accrued liabilities	58,973	37,382
	74,640	99,023

Trade payables credit period granted by trade creditors of supporting services of sweetener and ethanol business is 365 days while credit period granted by trade creditors of sugar business is 30 days.

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

	2018 HK$'000	2017 HK$'000
Not yet due	2,428	59,587
Overdue 1 – 90 days	5,479	2,054
Overdue 91 – 180 days	2,204	–
Overdue 181 – 365 days	2,490	–
Overdue >365 days	3,066	–
	15,667	61,641

There was no balance due to China Complant as at 31 December 2018 (2017: HK$58,047,000).

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

25. Contract Liabilities

Contract liabilities represent the Group's obligation to transfer goods to customers for which the Group has received consideration (or an amount of consideration is due) from the customer.

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Contract liabilities arising from:			
Sales of sugar	–	762	–

Typical payment terms which impact on the amount of contract liabilities are the receipts in advance from the customers. All the contract liabilities as at 1 January 2018 are recognised as revenue during the year ended 31 December 2018.

26. Convertible Notes

Liabilities Components	2013-2018 Notes (Note ii) HK$'000	2014-2019 Notes (Note i) HK$'000	Total HK$'000
At 1 January 2017	41,185	445,378	486,563
Effective interest expenses	2,998	38,929	41,927
At 31 December 2017 and 1 January 2018	44,183	484,307	528,490
Effective interest expenses	1,567	42,333	43,900
Redemption at maturity	(45,750)	–	(45,750)
At 31 December 2018	–	526,640	526,640

Derivative components	2013-2018 Notes (Note ii) HK$'000	2014-2019 Notes (Note i) HK$'000	Total HK$'000
At 1 January 2017	4,571	69,060	73,631
Change in fair value	(2,750)	(19,555)	(22,305)
At 31 December 2017 and 1 January 2018	1,821	49,505	51,326
Change in fair value	(1,821)	(42,055)	(43,876)
At 31 December 2018	–	7,450	7,450

26. Convertible Notes *(Continued)*

Notes:

(i) On 27 February 2009, the Company issued two tranches of five-year zero-coupon Hong Kong-dollar convertible notes at par, due in February 2014 (the "2009-2014 Notes"), for an aggregate principal amount of HK$673,200,000, which is part of the consideration for the acquisition of SATT. The Notes are convertible, at the option of note holders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price of HK$0.6 per share, subject to anti-dilutive adjustment, at any time from 27 February 2009 up to and including 27 February 2014. Pursuant to resolution passed by independent shareholders of the Company on 17 January 2014, the maturity date of the outstanding 2009-2014 Notes of a principal amount of HK$533,700,000 was extended by five years from 27 February 2014 to 27 February 2019. As such, 2009-2014 Notes was derecognised and 2014-2019 Notes was recognised in 2014. The fair value of the 2014-2019 Notes was assessed by independent valuation firm and determined as approximately HK$570,272,000, of which approximately HK$350,939,000 as liability component, approximately HK$66,399,000 as put option component and approximately HK$152,934,000 as equity component, which had been allocated as consideration to derecognise the 2009-2014 Notes, and a loss on the derecognition of the liability component of approximately HK$36,572,000 was recognised in the statement of profit or loss for the year ended 31 December 2014.

(ii) On 27 June 2013, the Company issued a five-year zero-coupon Hong Kong-dollar convertible notes at par, due in June 2018 for an aggregate principal amount of HK$45,750,000 to China-Africa Xin Xing Investment Limited ("CAXX") (the "2013-2018 Notes"). The Notes are convertible, at the option of note holders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price HK$0.6 per share, subject to antidilutive adjustment, at any time from 27 June 2013 up to and including 26 June 2018. No conversion was made since its issue. The notes were mature and fully paid on 26 June 2018 and 27 June 2018 respectively.

The derivative component represented the fair value of embedded put option derivative (which entitles the holders to redeem, in whole or in part, the principal sum on any business days prior to their respective maturity date of the 2014-2019 Notes issued by the Company.

The methods for the valuation of 2014-2019 Notes are as follows:

(a) Valuation of liability component

The fair value of the liability component on initial recognition was based on a valuation provided by BMIA, a firm of independent qualified professional valuers not connected with the Group, calculated using the present value of contractually determined stream of future cash flows discounted at the required yield of 15.356% for the 2014-2019 Notes respectively, which were determined with reference to the credit spread of similar convertible notes and the terms of the convertible notes.

26. Convertible Notes *(Continued)*

(b) Valuation of embedded put option derivative component

The fair values of embedded put option derivative for the 2014-2019 Notes are measured at fair value using the Binomial Option Pricing Model by BMIA. The inputs into the model as at the respective dates are as follows:

	2014-2019 Notes	
	2018	2017
Share price	**HK$0.077**	HK$0.139
Conversation price	**HK$0.600**	HK$0.600
Expected dividend yield	**0.000%**	0.000%
Risk free rate	**1.750%**	1.128%
Volatility	**102.658%**	58.678%

The expected volatility is based on the historical volatility. Expected dividend are based on historical dividends. Changes in the subjective input assumption could materially affect the fair value estimate.

27. Notes Supporting Cash Flow Statement

	Liabilities component of convertible notes HK$'000	**Other borrowings HK$'000**	**Amount due to non-controlling interests HK$'000**	**Total HK$'000**
At 1 January 2017	**486,563**	**–**	**410,909**	**897,472**
Other change:				
Finance costs	**41,927**	**–**	**5,778**	**47,705**
Exchange of foreign exchange rate changes	**–**	**–**	**19,647**	**19,647**
At 31 December 2017 and 1 January 2018	**528,490**	**–**	**436,334**	**964,824**
Changes from cash flow:				
Interest paid	**–**	**(247)**	**–**	**(247)**
Advance from non-controlling interests	**–**	**–**	**7,563**	**7,563**
Redemption at maturity	**(45,750)**	**–**	**–**	**(45,750)**
Proceeds from other borrowings	**–**	**3,045**	**–**	**3,045**
Repayment of other borrowings	**–**	**(3,045)**	**–**	**(3,045)**
	(45,750)	**(247)**	**7,563**	**(38,434)**
Other change:				
Finance costs	**43,900**	**247**	**23,636**	**67,783**
Effect of foreign exchange rate changes	**–**	**–**	**1,061**	**1,061**
At 31 December 2018	**526,640**	**–**	**468,594**	**995,234**

28. Amount Due To Non-Controlling Interests

The amount due to non-controlling interests, COMPLANT, which are denominated in USD, interest bearing at 6.15% to 6.78% (2017: 5.69% to 6.15%) per annum and repayable on demand.

29. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**6,000,000**	600,000
Issued and fully paid:		
At 1 January 2017, 31 December 2017 and 1 January 2018 and 31 December 2018	**2,191,180**	219,118

All of the shares issued by the Company rank pari passu in all respects with other shares in issue.

30. Reserves

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Convertible notes equity reserve	Amount of proceeds on issue of convertible notes relating to the equity component (i.e. option to convert the debt into share capital).
Special reserve	The difference between the consideration paid by the Company for the acquisition of the equity interest in subsidiaries under common control and the aggregate carrying amount of assets and liabilities of each subsidiaries.
Translation reserves	Gains/losses arising on translating the net assets of foreign operations into presentation currency.
Accumulated losses	Cumulative net gains and losses recognised in profit or loss.

31. Operating Lease Arrangements

	2018 HK$'000	2017 HK$'000
Lease payments paid during the year under operating leases in respect of land and buildings and office premises	**2,897**	6,928

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**2,213**	6,627
In the second to fifth years, inclusive	**8,852**	26,508
After the fifth year	**80,778**	248,511
Balance at end of year	**91,843**	281,646

32. Share Options Scheme

2007 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (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 20 September 2007. The details of the 2007 Share Option Scheme are set out in the Company's circular dated 3 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. Qualifying participant of the 2007 Share Option Scheme means (a) any executive director, employee or proposed employee including full time or part time of any member of the Group; (b) any non-executive director including independent non-executive directors of any member of the Group; (c) any supplier of goods or services to any member of the Group; (d) any customer of any member of the Group; (e) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group; (f) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group; (g) any joint venture partner, business or strategic alliance partner of any member of the Group; and (h) any discretionary trust whose discretionary objects may be any of (a) to (g).

32. Share Options Scheme *(Continued)*

2007 Share Option Scheme *(Continued)*

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not in aggregate exceed 10 per cent of the shares in issue as at the date of the adoption of the 2007 Share Option Scheme (the "Scheme Mandate Limit") provided that the Company may at any time as the Board of Directors of the Company think fit, seek approval from its shareholders to refresh the Scheme Mandate Limit, save that the maximum number of shares which may be issued upon exercise of all options to be granted under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not exceed 10 per cent of the shares in issue as at the date of approval by the shareholders of the Company in general meeting where such limit is refreshed. Options previously granted under any other scheme of the Company (including those outstanding, cancelled, and lapsed in accordance with the terms of the 2007 Share Option Scheme or any other scheme of the Company or exercised options under the said scheme) shall not be counted for the purpose of calculating the limit as refreshed. Notwithstanding aforesaid in this paragraph, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2007 Share Option Scheme (and under any other scheme of the Company) shall not exceed 30 per cent of the shares in issue from time to time. As at the date of the annual report, a total of 82,368,000 shares (representing approximately 10 per cent of the existing issued share capital of the Company) are available for issue under the 2007 Share Option Scheme.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the 2007 Share Option Scheme and any other option scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent of the total number of shares in issue.

The period within which an option may be exercised will be determined by the Board of Directors of the Company in its absolute discretion, save that no option may be exercised later than 10 years from the date on which the option is granted. Subject to the provisions of the 2007 Share Option Scheme, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the 2007 Share Option Scheme as it may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria conditions and the satisfactory performance. However, the 2007 Share Option Scheme itself does not specify any minimum holding period for which an option must be held before it can be exercised.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a nominal value of HK$1.00 in total by the grantee. The exercise period of the share options granted is determined by the Board of Directors, and shall not exceed a period of ten years after the date of grant.

The subscription price in respect of any particular option under the 2007 Share Option Scheme shall be such price as the Board may at its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a share; (b) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the Board resolution approving the grant of options; and (c) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the Board resolution approving the grant of options. The 2007 Share Option Scheme will expire on 19 September 2017. As at the end of reporting period, no share option has been granted under the 2007 Share Option Scheme since its adoption.

33. Retirement Benefits Schemes

The Group operates the MPF Scheme established under the Mandatory Provident Fund Ordinance for its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The Group contributes 5% of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The employees of the Group's subsidiary in PRC and Jamaica are members of a state-managed retirement benefit scheme operated by the government of the PRC and Jamaica respectively. The subsidiaries are required to contribute 20% and 2.5% respectively of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

At the end of reporting period, there were no significant forfeited contributions available to reduce the contribution payable in the future years.

The total cost charged to the consolidated statement of profit or loss of HK$4,392,000 (2017: HK$4,041,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

34. Pledge of Assets

As at 31 December 2018 and 2017, bank deposits of HK$1,312,000 (2017: HK$1,317,000), was pledged to secure against the bank guarantee in Jamaica during the year ended 31 December 2018 and 2017. The cash collateral account carried interest at 3.5% per annum for the year ended 31 December 2018 (2017: 3.5% per annum).

35. Related Party Transactions and Balances

Other than disclosed elsewhere in the consolidated financial statements, the transactions for the year and balances at 31 December 2018 with consolidated related parties are as follows:

(a) Transactions with related parties

	2018 **HK$'000**	2017 HK$'000
Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual caps approved by independent shareholders of the Company:		
– Sales to subsidiaries of COMPLANT	**–**	98,687
– Purchase from China Complant	**–**	72,591

Note: The above transactions with related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

35. Related Party Transactions and Balances *(Continued)*

(b) Trade and other receivables and trade and other payables

	2018 HK$'000	2017 HK$'000
Amounts due from subsidiaries of COMPLANT		
– Trade receivables (Note)	**61,362**	70,088
Amounts due to China Complant		
– Trade payables (Note (24))	**–**	58,047
– Other payables (Note)	**14,208**	10,901

Note: The amounts are interest-free and unsecured.

(c) Key management personnel compensation

Directors are regarded the only key management personnel of the Company. Other than the remuneration paid to the directors and employees of the Group as set out in Note 13, who are considered as the key management personnel of the Group, the Group did not have any other significant compensations to key management personnel.

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of the sales to subsidiaries of COMPLANT and the purchases from China Complant above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions and Continuing Connected Transaction" of the Director's Report.

36. Material Interests of Directors in Transactions, Arrangements or Contracts

As disclosed in Note 35(a), in 2017, the Group entered into continuing connected transactions with subsidiaries of COMPLANT. Directors of the Company, Mr. Liu Xueyi and Mr. Han Hong are directors of COMPLANT and Mr. Wang Zhaohui is the finance manager of COMPLANT. They are considered to have material interests in the transactions and abstained from voting on the board resolution for approving these transactions. The directors are of the opinion that the terms of the continuing connected transactions are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Group and its shareholders as a whole.

37. Statement of Financial Position of the Company

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Interest in subsidiaries		**246,261**	290,984
Current assets			
Bank balances and cash		**12,874**	15,455
Total assets		**259,135**	306,439
Current liabilities			
Other payables		**1,294**	1,174
Derivative component of convertible notes		**7,450**	1,821
Liabilities component of convertible notes		**526,640**	44,183
		535,384	47,178
Net current liabilities		**(522,510)**	(31,723)
Total assets less current liabilities		**(276,249)**	259,261
Non-current liabilities			
Derivative component of convertible notes		**–**	49,505
Liabilities component of convertible notes		**–**	484,307
		–	533,812
Net liabilities		**(276,249)**	(274,551)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves	a	**(495,367)**	(493,669)
Total capital deficiency		**(276,249)**	(274,551)

37. Statement of Financial Position of the Company *(Continued)*

Note:

a. Reserves of the Company

	Share premium HK$'000	Convertible notes equity reserve HK$'000	Special reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
At 1 January 2017	708,392	384,126	468,577	(2,029,259)	(468,164)
Total comprehensive loss for the year	–	–	–	(25,505)	(25,505)
At 31 December 2017 and 1 January 2018	708,392	384,126	468,577	(2,054,764)	(493,669)
Derecognise on maturity of convertible notes	–	(13,622)	–	13,622	–
Total comprehensive loss for the year	–	–	–	(1,698)	(1,698)
At 31 December 2018	708,392	370,504	468,577	(2,042,840)	(495,367)

Note: The special reserve represents the difference between the consideration paid by the Company for the acquisition of equity interest in subsidiaries under common control and the aggregate carrying amount of assets and liabilities of such subsidiaries.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

38. Subsidiaries

The following list contains the particulars of subsidiaries of the Group:

Name of company	Place of Incorporation/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of ownership interest attributable to the Company				Percentage of voting power held by the Company		Principal activities
			2018		2017		**2018**	2017	
			Directly	**Indirectly**	Directly	Indirectly			
Jumbo Right Investments Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	**-**	100%	–	**100%**	100%	Investment holding
Sino-Africa Technology & Trading Limited	British Virgin Islands	Ordinary shares US$3,000,000	**-**	**100%**	–	100%	**100%**	100%	Provision of supporting services to sweetener and ethanol business
Right Rich Finance Limited	Hong Kong	Ordinary share HK$1	**-**	**100%**	–	100%	**100%**	100%	Investment holding
River Right Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	**100%**	**-**	100%	–	**100%**	100%	Investment holding
Zheng Da Investments Limited	British Virgin Islands/ Hong Kong	Ordinary share US$100	**-**	**90%**	–	90%	**90%**	90%	Investment holding
Compagnie Beninoise De Bioenergie	Republic of Benin	Registered capital XOF1,000,000,000	**-**	**90%**	–	90%	**90%**	90%	Ethanol biofuel business
Joyful Right Limited ("**Joyful Right**")	British Virgin Islands/ Hong Kong	Ordinary share US$100	**70%**	**-**	70%	–	**70%**	70%	Investment holding
Pan-Caribbean Sugar Company Limited	Jamaica	Ordinary shares US$38,000,000	**-**	**70%**	–	70%	**70%**	70%	Sugar cane growing and sugar manufacturing business

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

39. NON-CONTROLLING INTERESTS

Joyful Right and its subsidiary ("**Joyful Right Group**"), a 70% owned subsidiary of the Company, has material non-controlling interests ("**NCI**"). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to the NCI of Joyful Right Group, before intra-group eliminations, is presented below:

	2018 **HK$'000**	2017 HK$'000
For the period ended 31 December		
Revenue	**134,490**	141,772
Loss for the year	**(89,300)**	(13,548)
Total comprehensive loss	**(69,597)**	(44,305)
Loss allocated to NCI	**(20,879)**	(13,292)
Dividends paid to NCI	**–**	–
For the period ended 31 December		
Net cash (outflow)/inflow from operating activities	**(60,961)**	25,683
Net cash outflow from investing activities	**(2,251)**	(2,084)
Net cash inflow from financing activities	**7,563**	–
Net cash (outflow)/inflow	**(55,649)**	23,599

	2018 **HK$'000**	2017 HK$'000
As at 31 December		
Current assets	**137,865**	159,472
Non-current assets	**12,943**	13,756
Current liabilities	**(602,464)**	(555,287)
Net liabilities	**(451,656)**	(382,059)
Accumulated non-controlling interests	**(135,497)**	(114,618)

40. Approval of Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2019.

Five Years Financial Summary

	Year ended 31st December				
	2014 HK$'000	2015 HK$'000 (restated)	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
RESULTS					
Continuing operations					
Turnover	478,267	366,308	328,623	240,458	**134,490**
Cost of sales	(426,830)	(332,129)	(249,313)	(183,202)	**(143,484)**
Gross (loss)/profit	51,437	34,179	79,310	57,256	**(8,994)**
Changes in fair value of biological assets	(57,976)	10,656	(75,071)	13,594	**7,162**
Other income	10,853	8,698	5,524	5,516	**8,291**
Administrative expenses	(109,865)	(124,883)	(69,644)	(50,952)	**(71,248)**
Change in fair value of derivative component of convertible notes	(482)	(8,849)	7,741	22,305	**43,876**
Loss on extension of convertibles notes	(36,572)	–	–	–	**–**
Other operating expenses	(81,313)	(575,708)	(527,204)	(101,302)	**(98)**
Finance costs	(41,667)	(48,568)	(80,593)	(47,705)	**(72,151)**
Loss before tax	(265,585)	(704,475)	(659,937)	(101,288)	**(93,162)**
Income tax expense	–	–	–	–	**–**
Loss for the year from continuing operations	(265,585)	(704,475)	(659,937)	(101,288)	**(93,162)**
Discontinued operations					
Profit for the year from discontinued operations	–	–	–	–	**4,335**
Loss for the year	(265,585)	(704,475)	(659,937)	(101,288)	**(88,827)**
Attributable to:					
Owners of the Company	(210,083)	(572,389)	(545,300)	(91,993)	**(70,911)**
Non-controlling interests	(55,502)	(132,086)	(114,637)	(9,295)	**(22,251)**
	(265,585)	(704,475)	(659,937)	(101,288)	**(93,162)**

	At 31st December				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,693,491	1,220,598	544,517	398,207	**271,531**
Total liabilities	(907,104)	(1,158,431)	(1,143,729)	(1,115,173)	**(107,324)**
Non-controlling interests*	(150,832)	(12,401)	102,514	114,875	**135,331**
	635,555	49,766	(496,698)	(602,091)	**(670,462)**

* The amount due to non-controlling interests of approximately HK$313,997,000 as at 31st December 2013 were reclassified to equity attributable to non-controlling interests from non-current liabilities. This has no effect to each of 2010 to 2012.