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## HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

### 華聯國際(控股)有限公司\*

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 969)

#### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2013

The board of directors (the “Board”) of Hua Lien International (Holding) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June 2013 together with the comparative figures as follow:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2013

		Six months ended 30th June	
		2013	2012
		(unaudited)	(restated & unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	(4)	302,685	429,528
Cost of sales		<u>(268,062)</u>	<u>(380,427)</u>
Gross profit		34,623	49,101
Changes in fair value of biological assets	(12)	(29,101)	31,502
Other income		5,961	8,677
Administrative expenses		(35,042)	(32,240)
Other expenses	(5)	<u>(10,575)</u>	<u>(10,575)</u>
(Loss)/profit from operations		(34,134)	46,465
Finance costs	(6)	<u>(51,466)</u>	<u>(37,296)</u>
(Loss)/profit before tax		(85,600)	9,169
Income tax expense	(8)	<u>—</u>	<u>—</u>
(Loss)/profit for the period	(7)	<u><u>(85,600)</u></u>	<u><u>9,169</u></u>

\* For identification purpose only

		<b>Six months ended 30th June</b>	
		<b>2013</b>	2012
		<b>(unaudited)</b>	(restated & unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to:			
Owners of the Company		<b>(68,294)</b>	2,877
Non-controlling interests		<b>(17,306)</b>	6,292
		<u><b>(85,600)</b></u>	<u>9,169</u>
<b>Dividend</b>	<i>(10)</i>	<u>—</u>	<u>—</u>
<b>(Loss)/earnings per share</b>	<i>(9)</i>		
— Basic (cents per share)		<u><b>(0.0312)</b></u>	<u>0.0021</u>
— Diluted (cents per share)		<u><b>(0.0312)</b></u>	<u>0.0021</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30th June 2013*

	<b>Six months ended 30th June</b>	
	<b>2013</b>	2012
	<b>(unaudited)</b>	(restated & unaudited)
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
(Loss)/profit for the period	<b>(85,600)</b>	9,169
Other comprehensive expense for the period		
<i>Items that may be reclassified subsequently     to profit or loss:</i>		
Exchange differences arising on translation	<u><b>(23,715)</b></u>	<u>(21,847)</u>
Total comprehensive expense for the period	<u><b>(109,315)</b></u>	<u>(12,678)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	<b>(84,894)</b>	(12,416)
Non-controlling interests	<u><b>(24,421)</b></u>	<u>(262)</u>
	<u><b>(109,315)</b></u>	<u>(12,678)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2013

		<b>30th June 2013 (unaudited)</b>	31st December 2012 (restated and unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	(11)	248,657	188,431
Biological assets — cane roots	(12)	26,559	27,275
Goodwill		226,511	226,511
Intangible asset		331,350	341,925
		<u>833,077</u>	<u>784,142</u>
<b>Current assets</b>			
Biological assets — growing cane	(12)	58,578	92,618
Inventories		134,404	143,057
Deferred factory overhaul costs		1,412	16,747
Trade and other receivables	(13)	250,814	245,805
Bank balances and cash		633,421	949,134
		<u>1,078,629</u>	<u>1,447,361</u>
<b>Current liabilities</b>			
Trade and other payables	(14)	126,251	301,548
Short term bank loan, secured		—	67,360
Convertible notes		592,457	—
		<u>718,708</u>	<u>368,908</u>
Net current assets		<u>359,921</u>	<u>1,078,453</u>
Total assets less current Liabilities		<u>1,192,998</u>	<u>1,862,595</u>
<b>Non-current liabilities</b>			
Convertible notes		50,998	585,559
Amounts due to non-controlling interests		310,784	324,736
		<u>361,782</u>	<u>910,295</u>
Net assets		<u>831,216</u>	<u>952,300</u>
<b>Capital and reserves</b>			
Share capital		219,118	219,118
Reserves		663,968	760,599
Equity attributable to owners of the Company		<u>883,086</u>	<u>979,717</u>
Non-controlling interests		<u>(51,870)</u>	<u>(27,417)</u>
Total equity		<u>831,216</u>	<u>952,300</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30th June 2013 have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. This should be read in conjunction with the annual financial statements of the Group for the year ended 31st December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost basis, except for biological assets which are measured at fair values. The accounting policies used in the condensed consolidated financial information for the six months ended 30th June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2012, except for as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 10	Consolidated financial statements
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle

### **HKFRS 10 Consolidated financial statements**

HKFRS10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation - Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Board has reached the control conclusions for merger accounting that the Group first came under the control of the controlling shareholder on 2nd August 2011.

### **HKFRS 13 Fair Value Measurement**

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

## 2. **PRINCIPAL ACCOUNTING POLICIES** (*Continued*)

### **Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities**

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

### **Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income**

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

### **Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)**

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (the “CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group adopted the following accounting policies during the current period under merger accounting.

#### **Biological assets**

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

The fair value of sugar cane comprises of two elements:

- (i) Cane roots, which are valued at fair value based on the current replacement cost of planting and establishment reduced to reflect the remaining estimated productive harvests (which can vary between six to eight cuttings depending on yields and an average of seven years is used for valuation purposes); and
- (ii) Growing cane, which are valued at fair value based on estimated sucrose content, age and market price, less estimated harvesting and transport costs.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Inventories

Inventories consist mainly of:

- (i) The maintenance spare parts to facilitate the repairs within the factories and transportation department, fertilizers, chemicals and other normal components (consumables and components) which are stated at the lower of cost and net realisable value. Cost is determined on an average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.
- (ii) Commercial raw sugar and molasses available for sale both for the local and export market. Cost includes an appropriate share of overheads based on the tonnes produced.

### Deferred factory overhaul costs

Costs to repair the factories are deferred and amortised over the relevant crop period based on the amount of hectares harvested during the period.

## 3. MERGER ACCOUNTING AND RESTATEMENT

On 15th August 2011, China National Complete Plant Import & Export Corporation (Group) (“China Complant” 中國成套設備進出口(集團)總公司), the controlling shareholder of the Company through its 100% indirect subsidiary of Joyful Right Limited, a direct subsidiary of COMPLANT International Sugar Industry Co., Ltd. (“COMPLANT” 中成國際糖業股份有限公司) nominated its indirect wholly subsidiary, Pan-Caribbean Sugar Company Limited, as purchaser to complete the acquisition of certain factory lands with an aggregate area of approximately 57 hectares and assets (including all equipment and chattels used in the cultivation, harvesting, transporting, processing and production of sugar cane as well as the production and/or manufacturing of sugar, molasses, rum, generating energy, and including all spare parts and raw materials and all furniture and equipment in the administration offices situated on the Sugar Estates) from the Government of Jamaica together with other statutory parties as sellers at a cash consideration in the sum of US\$9 million (approximately HK\$69.8 million) for the factory lands and the assets plus an undertaking to make a capital expenditure of US\$126.8 million (approximately HK\$984.0 million) for the revival and working capital of the three sugar estates in Jamaica (comprising Frome Estate in the parish of Westmoreland, Monymusk Estate in the parish of Clarendon and Bernard Lodge Estate in the parish of Saint Catherine) (collectively, the “Sugar Estates”).

On 3rd August 2012, the Company, COMPLANT and Joyful Right Limited (the “JV Company”) entered into a joint venture agreement pursuant to which, has conditionally agreed to purchase and COMPLANT has conditionally agreed to sell 70% share in JV Company after the issue and allotment of the new JV Company shares to COMPLANT by the JV Company at par value and the consideration for the sale of JV Company Shares is US\$3.27 million (the “Acquisition”). Details of the Acquisition have been set out in the Company’s announcements made on 3rd August 2012 and circular dated 11th December 2012.

On 12th April 2013, the acquisition was completed.

### 3. MERGER ACCOUNTING AND RESTATEMENT (Continued)

The financial statements have been prepared in accordance with the principles of merger accounting as set out in “Accounting Guideline 5: Merger Accounting for Common Control Combinations” issued by HKICPA, as if the the joint venture agreement had been completed at the beginning of the earliest period presented because the joint venture were regarded as a business combination under common control of the controlling shareholder of the Company before and after the Acquisition.

The unaudited condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30th June 2013 and 2012 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under the common control of the controlling shareholder, where this is a shorter period. The condensed consolidated statements of financial position of the Group as at 31st December 2012 and 30th June 2013 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the controlling shareholder perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the acquisition.

The following tables summarise the effects of the merger accounting restatement on the Group’s financial position as at 31st December 2012 and the comprehensive income for the period ended 30th June 2012.

#### Condensed consolidated statement of financial position

As at 31st December 2012

	As previously reported HK\$'000	Merger Accounting restatement HK\$'000	As restated HK\$'000
Non-current assets			
Property, plant and equipment	273	188,158	188,431
Biological assets — cane roots	—	27,275	27,275
Goodwill	226,511	—	226,511
Intangible asset	341,925	—	341,925
	<u>568,709</u>	<u>215,433</u>	<u>784,142</u>
Current assets			
Biological assets — growing cane	—	92,618	92,618
Inventories	—	143,057	143,057
Deferred factory overhaul costs	—	16,747	16,747
Trade and other receivables	220,406	25,399	245,805
Bank balances and cash	876,908	72,226	949,134
	<u>1,097,314</u>	<u>350,047</u>	<u>1,447,361</u>



### 3. MERGER ACCOUNTING AND RESTATEMENT (Continued)

#### Condensed consolidated statement of financial position (Continued)

As at 31st December 2012

	As previously reported HK\$'000	Merger Accounting restatement HK\$'000	As restated HK\$'000
Current liabilities			
Trade and other payables	36,665	264,883	301,548
Short term bank loan, secured	—	67,360	67,360
	<u>36,665</u>	<u>332,243</u>	<u>368,908</u>
Net current assets	<u>1,060,649</u>	<u>17,804</u>	<u>1,078,453</u>
Total assets less current Liabilities	<u>1,629,358</u>	<u>233,237</u>	<u>1,862,595</u>
Non-current liabilities			
Convertible notes	585,559	—	585,559
Amounts due to non-controlling interests	—	324,736	324,736
	<u>585,559</u>	<u>324,736</u>	<u>910,295</u>
Net assets	<u><u>1,043,799</u></u>	<u><u>(91,499)</u></u>	<u><u>952,300</u></u>
Capital and reserves			
Share capital	219,118	—	219,118
Reserves	<u>824,649</u>	<u>(64,050)</u>	<u>760,599</u>
Equity attributable to owners of the Company	1,043,767	(64,050)	979,717
Non-controlling interests	<u>32</u>	<u>(27,449)</u>	<u>(27,417)</u>
Total equity	<u><u>1,043,799</u></u>	<u><u>(91,499)</u></u>	<u><u>952,300</u></u>

### 3. MERGER ACCOUNTING AND RESTATEMENT *(Continued)*

#### Condensed consolidated statement of profit or loss

For the period ended 30th June 2012

	As previously reported HK\$'000	Merger Accounting restatement HK\$'000	As restated HK\$'000
Turnover	60,372	369,156	429,528
Cost of sales	(27,469)	(352,958)	(380,427)
Gross profit	32,903	16,198	49,101
Changes in fair value of biological assets	—	31,502	31,502
Other income	418	8,259	8,677
Administrative expenses	(10,872)	(21,368)	(32,240)
Other expenses	(10,575)	—	(10,575)
Profit from operations	11,874	34,591	46,465
Finance costs	(23,628)	(13,668)	(37,296)
(Loss)/profit before tax	(11,754)	20,923	9,169
Income tax expense	—	—	—
(Loss)/profit for the period	<u>(11,754)</u>	<u>20,923</u>	<u>9,169</u>

#### 4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- Supporting services to sweetener and ethanol business (the “Supporting services”); and
- Sugar cane growing and sugar manufacturing business (the “Sugar business”).

##### (a) Segment turnover and results

	Supporting services		Sugar business		Total	
	Six months ended 30th June		Six months ended 30th June		Six months ended 30th June	
	2013	2012	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total reportable segment turnover	99,382	60,372	267,195	369,156	366,577	429,528
Inter-segment revenue	(63,892)	—	—	—	(63,892)	—
Reportable segment turnover from external customers	<u>35,490</u>	<u>60,372</u>	<u>267,195</u>	<u>369,156</u>	<u>302,685</u>	<u>429,528</u>
Total reportable segment (loss) or profit from operations	8,848	13,932	(31,937)	34,474	(23,089)	48,406
Elimination of inter-segment profits	(9,975)	—	—	—	(9,975)	—
Reportable segment (loss) or profit from external customers	<u>(1,127)</u>	<u>13,932</u>	<u>(31,937)</u>	<u>34,474</u>	<u>(33,064)</u>	<u>48,406</u>

Sales between segments are carried out at arm’s length. The turnover from external parties reported to the board of directors, the chief operating decision maker of the Group is measured in a manner consistent with in the income statement.

##### (b) Reconciliation of reportable segment profit or loss

	For the six months ended 30th June	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Total (loss) or profit for reportable segments from external customers	(33,064)	48,406
Profit or (loss) before tax for other business activities and operating segments	—	—
	(33,064)	48,406
Unallocated corporate expenses	(1,070)	(1,941)
Finance costs	(51,466)	(37,296)
(Loss) or profit before tax	<u>(85,600)</u>	<u>9,169</u>

#### 4. SEGMENT INFORMATION (Continued)

##### (c) Reportable segment assets and liabilities

	Supporting services		Sugar business		Unallocated		Total	
	30th June 2013 (unaudited) HK\$'000	31st December 2012 (unaudited) HK\$'000	30th June 2013 (unaudited) HK\$'000	31st December 2012 (unaudited) HK\$'000	30th June 2013 (unaudited) HK\$'000	31st December 2012 (unaudited) HK\$'000	30th June 2013 (unaudited) HK\$'000	31st December 2012 (unaudited) HK\$'000
Reportable segment assets	<u>724,634</u>	<u>723,927</u>	<u>476,365</u>	<u>565,480</u>	<u>710,707</u>	<u>942,096</u>	<u>1,911,706</u>	<u>2,231,503</u>
Reportable segment liabilities	<u>90,118</u>	<u>34,523</u>	<u>330,850</u>	<u>656,980</u>	<u>659,522</u>	<u>587,700</u>	<u>1,080,490</u>	<u>1,279,203</u>

##### (d) Other reportable segment information

###### Revenue from external customers

	Six months ended 30th June	
	2013 (unaudited) HK\$'000	2012 (unaudited) HK\$'000
African Countries	35,490	60,372
Jamaica	133,476	369,156
European Countries	133,719	—
	<u>302,685</u>	<u>429,528</u>

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

###### Non-current assets

	30th June 2013 (unaudited) HK\$'000	31st December 2012 (unaudited) HK\$'000
	African Countries	61,252
Jamaica	187,188	188,158
People's Republic of China	217	273
	<u>248,657</u>	<u>188,431</u>

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

#### 4. SEGMENT INFORMATION *(Continued)*

##### (d) Other reportable segment information *(Continued)*

###### *Depreciation and amortization as well as addition to non-current assets*

	Depreciation and amortisation		Additions to non-current assets	
	Six months ended 30th June		Six months ended 30th June	
	2013	2012	2013	2012
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Supporting services	10,651	10,655	19	224
Sugar business	16,392	28,071	87,163	41,722
	<u>27,043</u>	<u>38,726</u>	<u>87,182</u>	<u>41,946</u>

#### 5. OTHER EXPENSES

	Six months ended 30th June	
	2013	2012
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	10,575	10,575
	<u>10,575</u>	<u>10,575</u>

#### 6. FINANCE COSTS

	Six months ended 30th June	
	2013	2012
	(unaudited)	(restated and unaudited)
	HK\$'000	HK\$'000
Interest on:		
— Convertible notes wholly repayable within five years	25,768	23,628
— Other borrowings not wholly repayable within five years	8,683	11,024
— Bank borrowings wholly repayable within five years	462	—
Net foreign exchange losses on financing activities	16,468	2,560
Bank Charges	85	84
	<u>51,466</u>	<u>37,296</u>

## 7. (LOSS)/PROFIT FOR THE PERIOD

	<b>Six months ended 30th June</b>	
	<b>2013</b>	2012
	<b>(unaudited)</b>	(restated and unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	<u><b>12,290</b></u>	<u>6,220</u>

## 8. INCOME TAX EXPENSE

No provision for income tax has been made in the consolidated financial statements as loss sustained during the period and no taxation in relevant jurisdictions where it operates.

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the period attributable to equity holders of the Company of HK\$68,294,000 (six months ended 30th June 2012 (restated): earnings of HK\$2,877,000), and the weighted average number of 2,191,180,000 (30th June 2012: 1,391,180,000) ordinary shares in issue during the period.

The calculation of the basic loss/earnings per share attributable to owners of the Company is based on the following data:

	<b>Six months ended 30th June</b>	
	<b>2013</b>	2012
	<b>(unaudited)</b>	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss/earnings</b>		
(Loss)/earnings for the purpose of basic (loss)/earnings per share	<b>(68,294)</b>	2,877
<i>Effect of dilutive potential ordinary shares:</i>		
Interest on convertible notes	<u>—</u>	<u>—</u>
(Loss)/earnings for the purposes of diluted loss per share	<u><b>(68,294)</b></u>	<u>2,877</u>
	<b>2013</b>	2012
	<b>(unaudited)</b>	(unaudited)
	<i>'000</i>	<i>'000</i>
<b>Number of Shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<b>2,191,180</b>	1,391,180
<i>Effect of dilutive potential ordinary shares:</i>		
Convertible notes	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u><b>2,191,180</b></u>	<u>1,391,180</u>

The diluted (loss)/earnings per share for the period ended 30th June 2013 and 30th June 2012 are the same as basic (loss)/earnings per share as there is no dilutive effect from the assumed exercise of the conversion of the Company's outstanding convertible notes on the (loss)/earnings attributable to owners of the Company.

## 10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30th June 2013 (six months ended 30th June 2012: Nil).

## 11. ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$87,182,000 (six months ended 30th June 2012 (restated): HK\$41,946,000) on acquisition of property, plant and equipment.

## 12. BIOLOGICAL ASSETS

### (a) Cane Roots

	<b>30th June 2013 HK\$'000</b>	31st December 2012 HK\$'000
Opening balance	27,276	17,399
Exchange differences	(2,112)	(1,173)
Land preparation and cane plantation costs capitalised	18,187	26,735
Change in fair value	(16,792)	(15,686)
	<u>26,559</u>	<u>27,275</u>
Carrying value at end of the period	<u>26,559</u>	<u>27,275</u>
	<b>30th June 2013</b>	31st December 2012
Area, in hectares, under cane in Jamaica:		
Frome Estate	4,071	3,954
Monymusk Estate	3,002	3,225
Bernard Lodge Estate	2,239	2,104
	<u>9,312</u>	<u>9,283</u>

The average remaining expected life of cane roots is 3.17 (31st December 2012: 2.56), 3.73 (31st December 2012: 3.18), and 4.14 (31st December 2012: 3.74) years for the Frome, Monymusk and Bernard Lodge Estates respectively.

## 12. BIOLOGICAL ASSETS (Continued)

### (b) Growing Cane

	<b>30th June 2013 \$'000</b>	31st December 2012 \$'000
Opening balance	92,618	70,567
Exchange differences	(7,169)	(4,757)
Cane cultivation cost capitalised	81,067	148,893
Decrease in fair value of cane harvested	(95,629)	(194,821)
Change in fair value	(12,309)	72,736
	<hr/>	<hr/>
Carrying value at end of the period	<b><u>58,578</u></b>	<b><u>92,618</u></b>

The decrease of in fair value of cane roots and growing cane for the period ended of HK\$ 29,101,000 (six months ended 30th June 2012: an increase in fair value of cane roots and growing cane of HK\$31,502,000) is reflected in the statement of profit or loss.

## 13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of approximately HK\$149,496,000, within which of approximately HK\$142,062,000 (31st December 2012: HK\$196,932,000) is relating to trade customers of supporting services of sweetener and ethanol business which allows a credit period of 365 days and the remaining of approximately HK\$7,434,000 (31st December 2012: HK\$4,893,000) is relating to trade customers of sugar business in Jamaica which allows a credit period from zero to 30 days for raw sugar trading and a credit period of 15 days for payment based on estimated production output and outstanding monies on actual quantity will be paid within 60 days after the completion of crop year for molasses trading.

The following is an analysis of trade receivables by age based on the invoice date.

	<b>30th June 2013 (unaudited) HK\$'000</b>	31st December 2012 (restated and unaudited) HK\$'000
Not yet due	149,496	201,825
Overdue 1-90 days	—	—
Overdue 91-180 days	—	—
Overdue 181-365 days	—	—
Overdue > 365 days	—	—
	<hr/>	<hr/>
	<b><u>149,496</u></b>	<b><u>201,825</u></b>



#### 14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$78,343,000 (31st December 2012: HK\$262,817,000), within which of approximately HK\$64,508,000 (31st December 2012: HK\$13,203,000) is relating to trade payables of supporting services of sweetener and ethanol business which has been granted credit period of 365 days and the remaining of approximately HK\$13,835,000 (31st December 2012: HK\$249,614,000) is relating to trade payables of sugar business in Jamaica, the credit period granted from external suppliers is from zero to 30 days and the credit period granted from trade payables of related parties is of 365 days.

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

	<b>30th June 2013 (unaudited) <i>HK\$'000</i></b>	31st December 2012 (restated and unaudited) <i>HK\$'000</i>
Not yet due	77,299	36,497
Overdue 1-90 days	382	12,665
Overdue 91-180 days	662	75
Overdue 181-65 days	—	152,835
Overdue > 365 days	—	60,745
	<u>78,343</u>	<u>262,817</u>

The above trade payables do not included trade payables of related parties as at 30th June 2013 (31st December 2012: included a trade payable of related parties of approximately HK\$230,378,000). The accounts payable to related parties is interest-bearing at 6% for the period up to 12th April 2013 (six month ended 30th June 2012: 6% — 6.56%) per annum and are normally settled after the credit terms of 365 days. No interest is charging after 12th April 2013.

The other accounts payable from external suppliers are non-interest-bearing and are normally settled within credit terms of zero to 30 days

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### ACQUISITION OF SUGAR BUSINESS

During the first six months of this year, the Company experienced a business transformation. We diversified our business from supporting services to sweetener and ethanol business to sugar cane growing and sugar manufacturing business in Jamaica (the “Jamaica Sugar Industry Project”). The acquisition (the “Acquisition”) of the Jamaica Sugar Industry Project was completed on 12th April 2013 by acquiring 70% equity interest in Joyful Right Limited together with its subsidiaries (the “Joyful Right Group”). As the Joyful Right Group was under the common control of the controlling shareholder of the Company before and after the Acquisition, the financial results of the Company presented in this interim report have been prepared under the principles of merger accounting as if the Acquisition had already been completed at the beginning of the periods covered by this interim report.

#### OVERALL PERFORMANCE

For the six months ended 30th June 2013, the turnover of the Group decreased by 29.5% to approximately HK\$302.7 million (six months ended 30th June 2012: approximately HK\$429.5 million).

The Group can still manage to maintain the overall gross profit percentage at around 11.4% but the absolute amount of gross profit decreased from approximately HK\$49.1 million to approximately HK\$34.6 million due to decrease in turnover.

The loss from operations for the period was approximately HK\$34.1 million, posting a decline of approximately HK\$80.6 million compared to profit from operations of approximately HK\$46.5 million for the same period last year. The loss for the period under review was approximately HK\$85.6 million, representing a decline of approximately HK\$94.8 million compared with profit for the period of approximately HK\$9.2 million for the six months ended 30th June 2012.

Basic loss per share for the period was HK3.12 cents (six months ended 30th June 2012: basic earnings per share of HK 0.21 cents).

The Directors do not recommend the payment of interim dividends for the six months ended 30th June 2013 (2012: Nil).

#### **Sugar Cane Growing and Sugar Manufacturing Business in Jamaica**

##### *Business review*

Our corporate strategy to diversify the Group’s business into the sugar cane growing and sugar manufacturing business was materialized in the period upon completion of the Acquisition of the Joyful Right Group. The Joyful Right Group is principally engaged in the cultivation of sugar cane, the manufacture and trading of sugar, molasses and related products in Jamaica. The Joyful Right Limited is the holding company of Pan-Caribbean Sugar Company Limited (“PCSC”) which has operated the three sugar estates in Jamaica since 15th August 2011.

The turnover of the Joyful Right Group for six months ended 2013 was approximately J\$3,489.3 million (approximately HK\$267.2 million) (six months ended 30th June 2012: J\$4,243.2 million (approximately HK\$369.2 million). The decrease in turnover was mainly due to the decrease of approximately 7,600 tonnes of raw sugar and approximately 5,800 tonnes of molasse available for sales during the period and to a certain extent the decrease in turnover is also due to the change in sales channels during current period. Joyful Right Group has opening inventories of approximately 6,000 tonnes of raw sugar and approximately 800 tonnes of molasses and produced approximately 43,100 tonnes of raw sugar and approximately 23,000 tonnes of molasses of first half of 2013 compared with no opening inventories of sugar and molasses and the production output of approximately 56,700 tonnes of raw sugar and approximately 29,600 tonnes of molasses of first half of 2012. The decrease in production of approximately 13,600 tonnes of raw sugar and approximately 6,600 tonnes of molasses was due to the decrease of 174,500 tonnes of sugar cane crushed during the period. Joyful Right Group crushed approximately 507,500 tonnes of sugar cane during first half of 2013 compared with approximately 682,000 tonnes during first half of 2012. The decrease in sugar cane crushed because of the unfavourable weather condition that affected the productivity of sugar canes and thereby availability and quality of cane for crushing. For the change in sales channels, the raw sugar and molasses was exclusively sold to Jamaica Cane Product Sales (JCPS) for last period ended 30th June 2012 under pooling marketing system under which all raw sugar and molasses produced was immediately delivered to warehouses established by JCPS adjacent to the sugar mills and all output will recognize as revenue immediately and will therefore have no inventory in the past period. For the current period, the speed of revenue recognized has slowed down comparatively because PCSC parted from the pooling marketing system in Jamaica to market its output and more time is needed to convert those inventories into revenue.

As shown in below table, European Countries become the sugar business's largest market in terms of revenue in the first half of 2013. The change was brought by PCSC parted from the pooling marketing system in Jamaica as it has been one of appointed agent by Sugar Industry Authority of Jamaica for marketing sugar in Jamaica since May 2012. This allows PCSC to export directly its products to its customers in Europe.

	Six months ended 30th June					
	2013			2012		
	<i>J\$'million</i>	<i>HK\$'million</i>	<i>% of Turnover</i>	<i>J\$'Million</i>	<i>HK\$'million</i>	<i>% of Turnover</i>
By region						
Jamaica	1,743.1	133.5	50	4,243.2	369.2	100
European Countries	1,746.2	133.7	50	—	—	—
	<u>3,489.3</u>	<u>267.2</u>	<u>100</u>	<u>4,243.2</u>	<u>369.2</u>	<u>100</u>

In terms of gross profit, the Joyful Right Group recorded a gross profit of J\$193.3 million (approximately HK\$14.8 million (six months ended 30th June 2012: J\$186.2 million (approximately HK\$16.2 million). The gross profit as measured in Jamaican dollar is increased by approximately J\$7.1 million. However, the gross profit as measured in reporting currency of Hong Kong dollar is decreased by approximately HK\$1.4 million due to depreciation of Jamaican dollar for the six month ended 30th June 2013. For the gross profit ratio of the first half of 2013, it is increased by approximately 1.1% from approximately 4.4% for the first half of 2012 to approximately 5.5%. The increase in gross profit ratio is mainly due to net changes resulting from the approximately 19.8% increase in selling price of raw sugar and approximately 82.9% increase in selling price of molasses but these positive effects largely reduced by the negative effects of approximately 18.4% increase in average production cost of raw sugar and approximately 80.8% increase in average production cost of molasses. The average selling price of sugar and molasses increase by approximately J\$14,000 (approximately HK\$1,000)

per tonne and approximately J\$6,600 (approximately HK\$500) per tonne respectively for the six months ended 30 June 2013. The average selling price of sugar and molasses was approximately J\$84,700 (approximately HK\$6,500) per tonne and approximately J\$14,600 (approximately HK\$1,100) per tonne respectively for the six months ended 30 June 2013 compared with approximately J\$70,700 (approximately HK\$6,200) per tonne and approximately J\$8,000 (approximately HK\$730) per tonne respectively for the six months ended 30 June 2012. The increase in average selling prices of first half of 2013 was due to PCSC parted from the pooling marketing system in Jamaica as it has been one of appointed agent by Sugar Industry Authority of Jamaica for marketing sugar in Jamaica since May 2012 and this allows PCSC to sell its sugar and molasses to the highest bidders independently. On the other hand, the average production cost of raw sugar increase by approximately J\$12,400 per tonne (approximately HK\$950 per tonne) and of molasses by approximately J\$6,200 per tonne (approximately HK\$480 per tonne) respectively for the six months ended 31 June 2013. The production cost of raw sugar was approximately J\$80,000 (approximately HK\$6,100) per tonne for first half of 2013 compared to approximately J\$67,600 (approximately HK\$5,900) per tonne first half of 2012. The production cost of molasses was approximately J\$13,800 (approximately HK\$1,100) per tonne for first half of 2013 compared to approximately J\$7,600 (approximately HK\$660) per tonne first half of 2012. The production cost was drove up by the approximately six percent increase in labour cost and the approximately eight percent increase in sugar cane price during the period.

In terms of net loss, the Joyful Right Group recorded a net loss of J\$1,116.7 million (approximately HK\$85.5 million) (six months ended 30th June 2012: net profit of J\$148.8 million (approximately HK\$12.9 million). The loss of current period was mainly brought by the decrease in fair value of biological assets, the increase in administrative expense and the increase in exchange loss. The biological assets recorded a loss of fair value of approximately J\$380.0 million (approximately HK\$29.1 million) as a result of the drought conditions and hurricane being experienced have negatively affected the growth of sugar cane during the period. The fair value of biological asset for the six month ended 30th June 2012 recorded a gain of J\$362.1 million (approximately HK\$31.5 million) for reason of expected increase in raw sugar selling price during that period. These two opposite direction change in fair value of biological assets caused the great fluctuation in net results. On top on this fluctuation, the administration expenses also increase by approximately J\$55.3 million (approximately HK\$ 4.2 million) from J\$246.9 million (approximately HK\$21.5 million) to approximately J\$302.2 million (approximately HK\$23.1 million) due to the approximately J\$35.8 million (approximately HK\$2.7 million) increase in labour cost for management staff and security guards and increase in approximately J\$14.3million (approximately HK\$1.1 million) of inventories loss that found out during stock-taking. Furthermore, the depreciation of Jamaican dollar further plunged the bottom line by driving up the finance costs of foreign exchange loss by approximately J\$216.5 million (approximately HK\$16.6 million) as the US dollar-denominated trade payables and advances increase in value when the Jamaican dollar depreciated during current period.

## **Supporting services to sweetener and ethanol business**

### *Business review*

For the period ended 30th June 2013, the supporting services to sweetener and ethanol business recorded turnover from external customers of approximately HK\$35.5 million (six months ended 30th June 2012: approximately HK\$60.4 million). The decrease in turnover of approximately HK\$24.9 million was mainly due to the decrease in order for the common agricultural equipment and accessories, steels, fertilizer, chemicals, motor vehicles and the increase in orders for industrial and agricultural machinery and other sales items. The approximately HK\$22.4 million decrease in common agricultural equipment and accessories partially due to the HK\$18.1 million decrease of orders for the technology renewal project of a customers in Madagascar that has completed last year and partially due to the approximately HK\$4.3 million decrease in orders for replacement

of industrial pump and other accessories for the same customers as replacement work has completed last year. The approximately HK\$3.8 million decrease in steel of which approximately HK\$2.9 million is also due to the completed technology renewal project of a customers in Madagascar and approximately HK\$0.9 million decrease by in recurring orders of three customers as the reduction of scale of their regular maintenance. The approximately HK\$3.2 million decrease in sale of fertilizers due to the customers postpone their orders to second half of the year as they expect a downward trend of fertilizer price in China and the postponement will help to lower their purchase cost. The approximately HK\$1.9 million decrease in chemicals due to the order postponement by customers to second half of the year to better match our supply of chemicals with their peak usage period in second half of the year. The approximately HK\$1.2 million decrease in motor vehicles as no replacement orders for old motor vehicles received from customers during current period. The approximately HK\$6.1 million increase in industrial and agricultural machinery due to the purchase of various machineries likes excavators, bulldozers, tankers, dump trucks by one customer in Madagascar. The approximately HK\$2.8 million increase in other sales items mainly drove up by the maintenance order for procurement of office equipments, hardware tools and mechanical and electrical products from a customers in Republic of Sierra Leone.

Gross profit of supporting services to sweetener and ethanol business from external customers for the six months ended 30th June 2013 declined by approximately HK\$13.1 million to approximately HK\$19.8 million (six months ended 30th June 2012: HK\$32.9 million). The overall gross profit after elimination of inter-segment sales is maintained at around 55% for both periods and the decrease in gross profit was mainly brought the HK\$24.9 million decrease in sales as previously explained.

The net loss from operations of supporting services to sweetener and ethanol business was approximately HK\$1.1 million (six months ended 30th June 2012: net profit of approximately HK\$13.9 million). The drop in profit from operations was resulting from the approximately HK\$13.1 million decrease in gross profit and approximately HK\$1.8 million increase in staff cost in administrative expenses.

In the first half of 2013 and 2012, all the customers of supporting services to sweetener and ethanol business, except the inter-segment sales for six month ended 30th June 2013 to Jamaica and Benin, was located in African countries, which recorded a revenue of approximately HK\$35.5 million (six months ended 30th June 2012: approximately HK\$60.4 million) and the net loss of this segment was approximately HK\$1.1 million (six month ended 30th June 2012 (restated): net profit of approximately HK\$13.9 million). The review of performance of this segment had already covered in above sections.

## **FINANCIAL REVIEW**

### **Equity**

As at 30th June 2013, the Company had 2,191,180,000 outstanding ordinary shares of HK\$0.1 each (31st December 2012: 2,191,180,000 shares).

Total equity attributable to owners of the Company as at 30th June 2013 amounts to approximately HK\$883.1 million (31st December 2012 (restated): approximately HK\$979.8 million).



## **Liquidity and gearing**

As at 30th June 2013, the Group's Hong Kong total borrowing that consisted of short term bank loan and convertible notes of approximately HK\$643.5million (31st December 2012 (restated): approximately HK\$652.9 million), of which approximately HK\$ 643.5 million (31st December 2012: approximately HK\$585.6 million) was the outstanding five-year zero-coupon Hong Kong-dollar convertible notes and the short term bank loan of nil balance as at 30th June 2013 (31st December 2012: approximately HK\$67.4 million) by a subsidiary in Jamaica of the Group and this short term bank loan was secured by an assignment of payment from a customer of a subsidiary in Jamaica by way of an irrecoverable Letter of Direction as well as have no recourse to the Group other than the subsidiary in Jamaica.

The Group's gearing ratio calculated as a ratio of total borrowings (including short term bank loan and convertible notes) to equity attributable to owners of the Company as at 30th June 2013 was approximately 72.8% (31st December 2012: 66.6%). The increase in ratio was mainly due to decrease in equity attributable to owners of the Company as a result of net loss attributable to owner of the Company of approximately HK\$68.3 million. All the Group's borrowings as at 30th June 2013 and 31st December 2012 are denominated in Hong Kong Dollar and US dollar.

Bank deposits and cash balances as at 30th June 2012 amounted to approximately HK\$633.4 million (31st December 2012: approximately HK\$949.1 million), mainly denominated in Hong Kong Dollar and US Dollar. The bank balances were placed in short term deposits with major banks in Hong Kong and Jamaica. The bank balance and cash declined by approximately HK\$315.7 million. The decline was brought by the net cash used in operation of approximately HK\$160.9 million mainly due to the repayment of trade and other payables of HK\$175.8 million, the net cash used in investing activities of approximately HK\$111.5 million mainly due to HK\$25.3 million used for acquisition of 70% interest in Joyful Right Group and HK\$87.1 million for acquisition of fixed assets and the net cash used in finance activities of approximately HK\$44.7 million mainly due to the repayment of bank loan of approximately HK\$67.4 million.

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

## **Pledge of assets**

As at 30th June 2013 and 31st December 2012, River Right Limited (the "River Right", a wholly-owned subsidiary of the Company) had pledged its interest in 65 shares in Zheng Da Investments Limited (the "Zheng Da"), representing 65% of issued capital, as security for the five-years zero-coupon Hong Kong-dollar convertible notes of principal amount of HK\$24 million issued to China-Africa Xin Xing Investment Limited (the "CAXX", a wholly-owned subsidiary of China-Africa Development Fund "CADFund").

As at 30th June 2013, a bank deposit of a subsidiary of approximately J\$42.5 million (approximately HK\$3.3 million) (31st December 2012: J\$21 million (approximately HK\$1.7 million)) was pledged by a subsidiary of the Group to secure against its bank guarantee of J\$50 million (approximately HK\$3.8 million) in Jamaica.

## **Contingent liabilities**

At as 30th June 2013 and 31st December 2012, a subsidiary of the Group issue bank guarantee in Jamaica of J\$50 million (approximately HK\$3.8 million) in favour of suppliers for the purpose of its fuel and electricity supply.

## **EMPLOYEE REMUNERATION POLICY**

### **Remuneration policies**

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the period under review was approximately HK\$42 million (six month ended 30th June 2012: approximately HK\$44.5 million), of which, approximately HK\$32.5 million (six month ended 30th June 2012: approximately HK\$37.2 million) was the total staff cost in sugar cane growing and sugar manufacturing business in Jamaica. The decrease in staff cost is mainly due to the depreciation of Jamaica dollar when the staff cost translated to reporting currency become smaller and to a lesser extent due to the shorter production period that employed lesser temporary employees for reason of reduction of quantity of sugar cane harvested during the period.

As at 30th June 2013, the Group had 318 full time employees (31st December 2012: 323).

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

On 12 April 2013, the Company completed the acquisition 70% interest of the Jamaica Sugar Industry Project acquiring 70% equity interest in Joyful Right Limited together with its subsidiaries (the "Joyful Right Group") at consideration of US\$3.27 million (approximately HK\$25.4 million) which will be satisfied by the payment in cash to COMPLANT; and the Company and COMPLANT have undertaken to contribute capital amounting to US\$88.76 million (approximately HK\$689.0 million) and US\$38.04 million (approximately HK\$295.3 million) respectively into the Joyful Right Group by way of share capital and/or shareholders' loan, in the proportion of 70% and 30%.

On 31st May 2013, River Right Limited, a direct wholly-owned subsidiary of the Company, completed the acquisition of 25% of equity interest in Zheng Da Investments Limited (正達投資有限公司) together with its subsidiaries (the "Zheng Da Group") at a consideration of US\$25 (approximately HK\$193) to China-Africa Xin Xing Investment Limited, a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of China Africa Development Fund (CADFund 中非發展基金有限公司) and shall take up the China-Africa Xin Xing Investment Limited's liability to make capital contribution to Zheng Da Limited in the sum of US\$5.93 million (approximately HK\$46.0 million). Following the completion of this acquisition, River Right Limited owns 90% and Complant owns 10% of the entire issued share capital of Zheng Da Investments Limited (正達投資有限公司) have undertaken to contribute capital amounting to US\$21.348 million (approximately HK\$165.7 million) and US\$2.372 million (approximately HK\$18.4 million) respectively into the Zheng Da Group by way of share capital and/or shareholders' loan, in the proportion of 90% and 10%.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Company signed the MOU on 31st January 2010 in respect of the Possible Transactions.

Definitions used in the Announcement on 1st February 2010 are adopted herein unless the context requires otherwise.

The Board is currently considering entering into joint ventures with CADFund and COMPLANT for long term strategic cooperation to develop Ethanol Biofuel Business in various African countries.

The initial phase under consideration would be to incorporate Benin JV and use it as a vehicle to establish a Benin PC in the Republic of Benin, a country in West Africa, for engaging in Ethanol Biofuel Business. In order to finance the possible joint venture, the Company raised approximately HK\$123.8 million (before deducting related expenses) by way of (i) issue of new Shares for approximately HK\$54.0 million (before deducting related expenses) and (ii) issue of the first batch of Convertible Notes for approximately HK\$24.0 million (before deducting related expenses) and (iii) second batch of Convertible Notes for approximately HK\$45.8 million (before deducting related expenses) to China-Africa Xin Xing Investment Limited, a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of China Africa Development Fund (CADFund 中非發展基金有限公司) for funding its share of capital contribution for the incorporation of Benin JV and the operation of Benin PC. Further information concerning the progress on the Benin JV is shown in “Prospects” section.

Other than Benin JV, the Company is considering incorporating companies with CADFund and COMPLANT under Other JV as holding companies to set up companies in other African countries for developing business in the generation of renewable energy. For the purpose of funding such Other JV, the Company also considers to issue the remaining batch of Convertible Notes to CADFund in the ensuing 3 years to raise approximately HK\$312 million (before deducting related expenses). The terms and conditions (including but not limited to the amounts of investments and the forms of cooperation) have not yet been finalized and further negotiations are necessary.

## **CAPITAL STRUCTURE**

On 27th June 2013, the Company completed the issue of the five years zero-coupon Hong Kong-dollar convertible notes in the principal amount of HK\$45.75 million to China-Africa Xin Xing Investment Limited, a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of China Africa Development Fund (CADFund 中非發展基金有限公司). The proceed will be used to develop the Benin Ethanol Biofuel Business.

## **TREASURY POLICIES**

The Group continues to adhere to prudent treasury policies. The Group’s overall financial and funding policies were aimed to control credit risk to lower the risk of credit sales, the liquidity risk to ensure that funds would be recovered on a timely basis to fulfill the requirement of debt repayment and to closely monitor the overall currency and interest rate exposures to minimize risks in their fluctuation. The Group did not use any derivative financial instruments to hedge for its risk exposure during the period ended 30th June 2013.

## **FOREIGN EXCHANGE EXPOSURE**

The Group’s operates in Jamaica and African countries, China and Hong Kong. During the period ended 30th June 2013, turnover was denominated mainly in US dollar and Jamaican dollar while its costs and expenses were primarily in Jamaican dollar and US dollar where the Group’s continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group’s reporting currency is in Hong Kong dollar. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.



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

## **SIGNIFICANT INVESTMENTS HELD**

The Group had not made any significant investment during the period ended 2013 and 2012.

## **PROSPECTS**

It is expected that, the Group's Jamaica Sugar Industry Project segment will continue to face difficulties and challenges this year. The ongoing economic restructuring in Europe will affect the demand of sugar and we anticipated that sugar price will still be under pressure in the short term and our product prices will also be affected. Despite this, the management is cautiously optimistic about the medium to long term of Jamaica Sugar Industry Project. To address future challenges, the biggest challenge before us is achieving the planned turnaround of our Jamaica Sugar Industry Project. As part of immediate measures of the revival program, we effected several directors and management changes in Jamaica operation, especially in the cane agriculture, to strengthen our team and enhance the irrigation system to deal with poor weather condition to improve the growth of our cane crop. We also launched an extensive cane plantation program to improve productivity from available land, A total of 1,528 hectare about 16.4% of farmed land are planted with new cane since January 2013 and this will boost the cane productivity and ensure better utilisation of our crushing assets. In coming years, the Company is also working on a cost reduction exercise at Jamaica operation to improve our existing margins by replacing the existing old bagasse boiler station to improve the efficiency of steam and electricity generation that will lower existing fuel and electricity consumption. Later on, the revival program will have more machinery to deploy in agricultural and industrial production and rationalize their internal logistics system to increase the productivity. Our confidence to turn around the operations stems from our directors' past experience and committed management team, who not only share our vision but have also proven themselves in the past by turning around sick mills. We believe that together, with shareholders' trust and confidence, we will surmount the challenges ahead of us.

For the Group's supporting services to sweetener and ethanol business segment, the demand from our customers in African countries is expected to recover during second half of the year when they start to replenish the fertilizers and the chemicals as well as take delivery of the common agricultural equipment and accessories.

For the Group's ethanol biofuel business, the construction of ethanol biofuel plant with a production capacity of 50,000 cubic meters is still underway and the construction of factory is expected to finish and start the test run can around the first half of 2014.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

During the six months ended 30th June 2013, 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 E.1.2**

Under the code provision E.1.2, the chairman of the Board should attend the annual general meeting. Mr. Tang Jianguo, the chairman of the Board, was unable to attend the annual general meeting of the Company held on 28th June 2013 (the “Meeting”) due to another business engagement. Dr. Zheng Liu, was an independent non-executive Director and the chairman of the remuneration committee, the nomination committee and the audit committee, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

### **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 half of the Board members are independent non-executive and a clear division of responsibilities are in place for the running of the business of the Group. The Company remains structured to ensure appropriate segregation of duties so that power is not concentrated in any one individual.

### **Code Provision A.4.1**

Under the code provision A.4.1, non-executive Directors should be appointed for a specific term, subject to re-election. None of the existing independent non-executive Directors (the “INEDs”) of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 during the period. However, one-third of the Directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting under the Company’s articles of association (the “Articles”). As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

### **Code Provision A.6.7**

Under the new 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 commitment, Mr. Yu Chi Jui and Ms. Li Xiao Wei, INEDs of the Company, did not attend the annual general meeting held on 28th June 2013 and, which constitutes a deviation from the code provision A.6.7 during the period.

## **REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Audit Committee comprises three independent non-executive directors has held meetings to review with management the accounting principles and practices adopted by the Group and discussing internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 30th June 2013.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of Hong Kong Exchange and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.irasia.com/listco/hk/hualien>). The 2013 interim report of the Company will be despatched to the shareholders of the Company and will be available on both websites in due course.

By order of the Board  
**Tang Jianguo**  
*Chairman*

Hong Kong, 30th August 2013

*As at the date of this announcement, the Board comprises six Directors, of which three are executive Directors, namely Mr. Tang Jianguo, Mr. Han Hong and Mr. Hu Yebi and three are independent non-executive Directors, namely Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei.*