HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

華聯國際(控股)有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2018

The board of directors (the "Board") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	*(3)*	**134,490**	240,458
Cost of sales		**(143,484)**	(183,202)
Gross (loss)/profit		**(8,994)**	57,256
Changes in fair value of biological asset	*(11)*	**7,162**	13,594
Other income		**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	*(4)*	**(98)**	(101,302)
Finance costs	*(5)*	**(72,151)**	(47,705)
Loss before income taxation expense		**(93,162)**	(101,288)
Income tax expense	*(7)*	**—**	—
Loss for the year	*(6)*	**(93,162)**	(101,288)

* *For identification purposes only*

	Notes	**2018**	2017
	Notes	***HK$'000***	*HK$'000*
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)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operation		**4,335**	(16,466)
Total comprehensive loss for the year		**(88,827)**	(117,754)
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)
Dividend	*(9)*	**—**	—
Loss per share	*(8)*		
— Basic (cents per share)		**(3.24)**	(4.20)
— Diluted (cents per share)		**(3.24)**	(4.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	(10)	**13,046**	13,887
Intangible asset		**—**	—
		13,046	13,887
Current assets			
Biological asset — growing cane	(11)	**25,921**	26,306
Inventories		**82,081**	70,869
Trade and other receivables	(12)	**78,027**	123,880
Bank balances, deposits and cash		**72,456**	163,265
Total Current assets		**258,485**	384,320
Total assets		**271,531**	398,207
Current liabilities			
Trade and other payables	(13)	**74,640**	99,023
Derivative component of convertible notes		**7,450**	1,821
Liabilities component of convertible notes		**526,640**	44,183
Amount due to non-controlling interests		**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		**—**	49,505
Liabilities component of convertible notes		**—**	484,307
Total non-current liabilities		**—**	533,812
Net liabilities		**(805,793)**	(716,966)
Capital and reserves			
Share capital		**219,118**	219,118
Reserves		**(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)

NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new or revised HKFRSs — effective on 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 financial statements as the periods to which the transition provision exemptions related have passed.

2. **ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** *(Continued)*

(a) Adoption of new or revised HKFRSs — effective on 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 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 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.

A 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

A HKFRS 9 — Financial Instruments (Continued)

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

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.

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 costs"); (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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

A HKFRS 9 — Financial Instruments (Continued)

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

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.

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

A HKFRS 9 — Financial Instruments (Continued)

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

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 HKAS39**	**New classification under HKFRS9**	**Carrying amount as at 1 January 2018 under HKAS39** *HK$'000*	**Carrying amount as at 1 January 2018 under HKFRS9** *HK$'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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")** *(Continued)*

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

A 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, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

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 debt financial assets, 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

A HKFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

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 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. For debt investment at FVOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

A HKFRS 9 — Financial Instruments *(Continued)*

(ii) Impairment of financial assets (Continued)

Impact of the ECL model

(I) Impairment of trade receivables

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

There 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 and there has been no significant increase in credit risk since initial recognition, threrefore, the loss allowance was limited to 12 months ECLs. The identified impairment loss was immaterial.

(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"):

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

B 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

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.

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 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 payables 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 HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

B HKFRS 15 — Revenue from Contracts with Customers ("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 recognized 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 accruals to contract liabilities since under HKFRS 15, if the entity has received consideration from the customers, the entity has an obligation to transfer goods or services to the customers, an entity should recognise a contract liability.
(ii)	Sale of goods, which including consumables chemicals and fertilizer related to supporting services to sweetener and ethanol business	Same as above, revenue is recognized 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 accruals to contract liabilities under HKFRS 15.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new or revised HKFRSs — effective on 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 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 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 financial statements as the Group has not paid or received advance consideration in a foreign currency.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("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 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 HKFRS 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRS 2015-2017 Cycle	Amendments to HKAS 23, Borrowing Cost[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 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

HKFRS 16 — Leases *(Continued)*

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 noncancellable operating lease commitments of HK$91,843,000. 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.

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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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.

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. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sale of goods, which recognises 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").

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Supporting services *HK$'000*	Sugar business *HK$'000*	Ethanol business *HK$'000*	Total *HK$'000*
Year ended 31st December 2018				
Revenue				
Segment revenue	—	**134,490**	—	**134,490**
Inter-segment sales	—	—	—	—
Sales to external customers	—	**134,490**	—	**134,490**
Segment results	**(18,066)**	**(75,466)**	**2,068**	**(91,464)**
Unallocated corporate income				**41,172**
Finance costs				**(42,870)**
Loss before income tax				**(93,162)**
At 31st 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**

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

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

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

3. **REVENUE AND SEGMENT INFORMATION** *(Continued)*

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

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

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

Other reportable segment information

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

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

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
African countries	**—**	98,686
Jamaica	**96,262**	121,169
European countries	**21,251**	19,670
U.S.A.	**16,977**	—
Caribbean countries	**—**	933
	134,490	240,458

The geographic information above is based on the location of the customers.

Non-current assets

	2018	2017
	HK$'000	*HK$'000*
African countries	**19**	23
Jamaica	**12,943**	13,756
People's Republic of China	**84**	108
	13,046	13,887

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

4. OTHER OPERATING EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Amortisation of intangible asset	**—**	5,935
Impairment loss on intangible asset	**—**	66,278
Impairment loss on property, plant and equipment	**98**	29,089
	98	101,302

5. FINANCE COSTS

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

6. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Loss on disposal of property, plant and equipment	**34**	1,582
Depreciation of property, plant and equipment	**2,694**	8,220

7. INCOME TAX EXPENSE

No provision for income tax has been made in the consolidated financial statements as the Company and its subsidiaries have no assessment profits or there is no taxation in relevant jurisdictions where they operate.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the year attributable to equity holders of the Company of approximately HK$70,911,000 (2017: approximately 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 31st 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.

9. DIVIDEND

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

10. ADDITIONS OF 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.

11. BIOLOGICAL ASSET — GROWING CANE

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

The increase in fair value of growing cane for the year ended 31st December 2018 of approximately HK$7,162,000 (2017: approximately HK$13,594,000) is reflected in the profit or loss.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables, net of impairment loss, of approximately HK$72,954,000 (2017: approximately 117,518,000).

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	2017
	HK$'000	*HK$'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

12. TRADE AND OTHER RECEIVABLES *(Continued)*

The following table provides information about ECLs for trade receivables as at 31 December 2018:

	Weighted average lifetime ECLs rate	**Gross carrying amount** *HK$'000*	**Lifetime ECLs** *HK$'000*	**Net carrying amount** *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
		113,068	(40,114)	72,954

ECLs rates are based on expected credit losses from data over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the year 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. At 31 December 2017, trade receivables of HK$40,114,000 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

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

	2018 ***HK$'000***	2017 *HK$'000*
Balances at 1 January and 31 December	**40,114**	40,114

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$15,667,000 (2017: approximately HK$61,641,000), within which of approximately HK$Nil (2017: approximately HK$58,300,000) is relating to supporting services of sweetener and ethanol business and the remaining of approximately HK$15,667,000 (2017: approximately HK$3,341,000) is relating to sugar business.

Credit period granted by trade creditors of supporting services of sweetener and ethanol business is 365 days (2017: 365 days) while credit period granted by trade creditors of sugar business is 30 days (2017: 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 over 365 days	**3,066**	—
	15,667	61,641

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 Fatory and Frome Sugar Factory in Jamaica since 15th August 2011, a 70% indirectly owned subsidiary of the Company, together called "Joyful Right Group". Due to the severe business environment for the sugar cane growing and sugar manufacturing business in Jamaica, the Group has suspended certain agricultural and factory operations that are under serious loss since June 2016, which include two sugar estates of Bernard Lodge Sugar Estate and Monymusk Sugar Estate as well as one sugar factory of Monymusk Sugar Factory. In year 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.

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 Turonver*
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.

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 year 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.

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.

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.

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$53.7 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$3.4 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 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%).

EMPLOYEE REMUNERATION POLICY

Remuneration policies

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total staff costs (including the directors' remuneration and employees' remuneration, contribution to retirement benefits scheme) of the Group in the year under review was approximately HK$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).

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 investment material investments and capital assets during the year under review.

CAPITAL STRUCTURE

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

TREASURY POLICIES

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

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

SIGNIFICANT INVESTMENTS HELD

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

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 announcement. 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 equipments 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 2017 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 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.

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 announcement 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 announcement. 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.

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 Rules Governing 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 Provision A.4.1

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

Code Provision A.6.7

Under the code provision A.6.7, independent non-executive Directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and development a balanced understanding of the views of shareholders. Due to other business engagements, the independent non-executive directors of Mr. 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.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31st December 2018.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statements of profit or loss and other comprehensive income and financial position and the related notes thereto for the year ended 31st December 2018 have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31st December 2018, containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the website of Hong Kong Exchange and Clearing Limited at www.hkex.com.hk and the website of the Company at http://www.irasia.com/listco/hk/hualien/index.htm in due course.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By order of the Board
Ms. Liu Yan
Chairman

Hong Kong, 29th March 2019

As at the date of this announcement, the Board comprises eight directors, of which three are executive directors, namely Mr. Liu Xueyi, Mr. Han Hong, and Mr. Wang Zhaohui, two are non-executive directors, namely Ms. Liu Yan and Mr. Zhang Jian, and three are independent non-executive directors, namely Mr. Cheng Tai Kwan Sunny, Mr. Shi Zhu and Dr. Lu Heng Henry.