Hua Lien International (Holding) Company Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 969

Annual Report 2013

Contents

Corporate Information

Executive Directors

Mr. LIU Xueyi *(Chairman)*
Mr. HAN Hong
Mr. HU Yebi
Mr. HU Zhirong
Mr. WANG Zhaohui

Independent Non-executive Directors

Dr. ZHENG Liu
Mr. YU Chi Jui
Ms. LI Xiao Wei

Company Secretary

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

Registered Office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Place of Business in Hong Kong

Unit 2513A, 25th Floor
113 Argyle Street
Mongkok
Kowloon
Hong Kong

Auditor

HLM CPA Limited
Certified Public *Accountants*

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited

Cayman Islands Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

Website

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

Business Review

Acquisition of Sugar Business

During the year, Hua Lien International (Holding) Company Limited (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 of the Jamaica Sugar Industry Project (the "Acquisition") was completed on 12th April 2013 by acquiring 70% equity interest in Joyful Right Limited together with its subsidiary (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 annual report have been prepared under the principles of merger accounting as if the Acquisition had already been completed at the beginning of the years covered by this annual report.

Overall Performance

For the year ended 31st December 2013, the turnover of the Group decreased by approximately 13.5% to approximately HK$561.9 million (2012: approximately HK$649.5 million).

The gross profit percentage increased by 1.9% to around approximately 19.2% (2012: approximately 17.3%) but the absolute amount of gross profit decreased from approximately HK$112.5 million to approximately HK$107.9 million due to decrease in turnover.

The loss from operations for the year was approximately HK$177.1 million, posting a decline of approximately HK$247.2 million compared to profit from operations of approximately HK$70.1 million for the same period last year. The loss for the year under review was approximately HK$272.2 million, representing a decline of approximately HK$255.1 million compared with loss for the year of approximately HK$17.1 million for year 2012.

Basic loss per share for the year was approximately HK9.90 cents (2012: approximately HK0.90 cents).

The directors do not recommend the payment of a dividend for the year ended 31st December 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 materialised in the year 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 the year ended 2013 was approximately Jamaican dollar ("J$") 4,526.0 million (approximately HK$351.7 million) (2012: approximately J$5,049.6 million (approximately HK$443.3 million)). The decrease in turnover was mainly due to the decrease in production of approximately 18,800 tonnes of raw sugar and approximately 9,000 tonnes molasses during the year. Joyful Right Group produced approximately 47,500 tonnes of raw sugar and approximately 25,600 tonnes of molasses in year 2013 compared with approximately 66,300 tonnes of raw sugar and approximately 34,600 tonnes of molasses in year 2012. The decrease in production was due to the decrease of approximately 263,100 tonnes of sugar cane crushed during the year. Joyful Right Group crushed approximately 572,600 tonnes of sugar cane during year 2013 compared with approximately 835,700 tonnes during year 2012. The decrease in sugar cane crushed caused by the unfavourable weather condition that affected the productivity of sugar canes and thereby availability and quality of cane for crushing.

Overall Performance *(Continued)*

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

Business review (Continued)

As shown in below table, PCSC have diversified its customer base by exporting to European countries in 2013. This change was brought by PCSC parted from the pooling marketing system in Jamaica as it has been one of appointed agents by Sugar Industry Authority of Jamaica (the "SIA") for marketing sugar in Jamaica. This allows PCSC to export directly its products to its customers in Europe.

	2013			2012		
	J$'million	**HK$'million**	**% of Turnover**	J$'million	HK$'million	% of Turnover
By region						
Jamaica	**2,779.3**	**216.0**	**61.4**	5,049.6	443.3	100.0
European countries	**1,746.7**	**135.7**	**38.6**	–	–	–
	4,526.0	**351.7**	**100.0**	5,049.6	443.3	100.0

In terms of gross loss, the Joyful Right Group recorded a gross loss of approximately J$4.1 million (approximately HK$0.3 million) (2012: a gross profit of approximately J$160.5 million (approximately HK$14.1 million)). The gross loss ratio was approximately 0.09% in year 2013 compared with the gross profit ratio approximately 3.2% in year 2012. The decrease in gross profit was due to the change in average price coupled with increase in production cost. The average selling price for raw sugar and molasses in year 2013 was approximately J$83,100 (approximately HK$ 6,500) and approximately J$14,700 (approximately HK$ 1,100) per tonne respectively compared with approximately J$77,200 per tonne (approximately HK$ 6,800) and approximately J$11,500 (approximately HK$ 1,000) per tonne for year 2012. The average selling price in Hong Kong dollars decreased by approximately 4.4% for raw sugar and increased by approximately 10.0% for molasses. On the cost side, the average production cost of raw sugar and molasses was approximately J$84,100 (approximately HK$ 6,500) per tonne and approximately J$14,800 (approximately HK$ 1,100) per tonne respectively for year 2013 compared with approximately J$74,300 (approximately HK$ 6,500) per tonne and approximately J$11,100 (approximately HK$ 1,000) per tonne respectively for year 2012. The approximately 13.2% and approximately 33.3% increase in production cost of sugar and molasses per tonne in Jamaican dollars respectively result mainly from the depreciation of the Jamaican dollars against other major currencies that has pushed up the prices of all major local production inputs namely the approximately 33.1% and approximately 45.1% increase in operation and maintenance cost per tonne of sugar and molasses respectively, the approximately 12.8% and approximately 23.0% increase in staff costs per tonne of sugar and molasses respectively as well as the approximately 3.3% and approximately 12.6% increase in sugar cane cost per tonne of sugar and molasses respectively.

Overall Performance *(Continued)*

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

Business review (Continued)

In terms of net loss, the Joyful Right Group recorded a net loss of approximately J$2,162.7 million (approximately HK$168.0 million) (2012: approximately J$279.3 million (approximately HK$24.5 million)). The additional loss of approximately J$1,883.4 million (approximately HK$143.5 million) was due to approximately J$164.6 million (approximately HK$14.4 million) loss in gross profit, the approximately J$1,107.7 million (approximately HK$93.0 million) fluctuation in fair value of biological assets, the approximately J$141.9 million (approximately HK$4.6 million) increase in administrative expenses, the approximately J$30.5 million (approximately HK$3.8 million) decrease in other revenue and approximately J$438.7 million (approximately HK$27.7 million) increase in net finance cost. The biological assets recorded a loss of fair value of approximately J$420.4 million (approximately HK$32.7 million) as a result of the drought conditions and hurricane being experienced have negatively affected the growth of sugar cane during the year. The fair value of biological asset for 2012 recorded a gain of approximately J$687.3 million (approximately HK$60.3 million) for reason of expected increase in raw sugar selling price during that year. This opposite direction change in fair value of biological assets caused the great fluctuation in net result. On top of this fluctuation, the administration expenses also increase by approximately J$141.9 million (approximately HK$4.6 million) from approximately J$639.6 million (approximately HK$56.1 million) to approximately J$781.5 million (approximately HK$60.7 million) due to the net effect of approximately J$77.8 million (approximately HK$6.0 million) of inventories loss found during stock-taking and it was caused by theft and deficiency in inventory management system at the sugar company's factories and as such result of additional cost of approximately J$43.9 million (approximately HK$3.1 million) incurred to step up the security operation during the year. For the net finance costs of Joyful Right Group, the depreciation of Jamaican dollars further plunged the bottom line by driving up the finance costs of foreign exchange loss approximately J$949.6 million (approximately HK$73.8 million) for year 2013 and approximately J$333.1 million (approximately HK$29.2 million) for year 2012 when Joyful Right Group translating the foreign currency debt and settled its U.S. dollar-denominated trade payables and advances using the depreciated Jamaican dollar during current year. Of which, the unrealised exchange loss relating loan from the shareholders of Joyful Right Group of approximately J$468.9 million (approximately HK$36.4 million) for year 2013 and approximately J$192.5 million (approximately HK$16.9 million) for year 2012 was dealing with in other comprehensive income.

Overall Performance *(Continued)*

Ethanol Biofuel Business in Benin

Business review

The long term profitability of the Group's ethanol biofuel business under construction in the Republic of Benin ("Benin") seriously hit by the unlikelihood of being granted the leased land and an impairment loss of Compagnie Beninoise De Bioenergie SA ("CBB" the project company of Zheng Da Investments Limited ("Zheng Da") in Benin) of approximately West African franc ("XOF") 8,989,000,000 (approximately HK$146,431,000) has been made during the year for the construction in progress.

As Company announcement dated 3rd March 2014, Zheng Da, an indirect subsidiary of the Company) entered into the cooperation agreement with the Government of Benin (the "Benin Government") for a project on the Ethanol Biofuel Business in Benin on 3rd October 2011 (the "Cooperation Agreement"). Pursuant to the Cooperation Agreement, the Benin Government conditionally agrees to lease 4,800 hectare of land at annual rental of XOF 11,875 (approximately HK$185) per hectare for the cultivation of cassava and/or sugar cane for the project of the production of bioethanol in Benin (the "Leased Land"), for a term of 25 years and renewable for another 10 years. However, until today, Benin Government still fails to grant the Leased Land to CBB because Benin Government encountered difficulties in recovering the relevant land from the cacique of tribe and farmers which led to disturbance events, which fall within the scope of the force majeure provision under the Cooperation Agreement, in the Leased Land. The board of directors ("the Board") expects that the Benin Government will not be able to execute the Leased Land provision in the Cooperation Agreement and Leased Land will not be available for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol. The Board expects CBB will need to shift to local purchase of cassava and molasses for raw materials when it starts operation and this change will inevitably lower production output below the break-even level as existing local supply of this raw materials are low. The directors obtained opinions from lawyers on this matter and formed the view that if this event is treated as force majeure event by the Benin Government, Zheng Da may not be able to seek relevant compensation from Benin Government. The expected reduction in production output below the break-even point combined with the unlikelihood to have compensation from Benin Government indicated the need of impairment assessment under Hong Kong Financial Reporting Standards. Based on an asset valuation report prepared by market data and data from comparable companies in Benin and discount rate calculated by an independent valuation company, it forecasts a significant decline in the long-term profitability of the asset and the recoverable amount as indicated by the value in use of the Ethanol Biofuel Business in Benin was estimated to be decreasing to approximately XOF 2,184,000,000 (approximately HK$35,577,000). In view of this, the Group made a provision for the impairment loss of CBB of approximately XOF 8,989,000,000 (approximately HK$146,431,000) for the construction in progress.

Overall Performance *(Continued)*

Supporting services to sweetener and ethanol business

Business review

For the year 2013 and 2012, all the customers of supporting services to sweetener and ethanol business, except the inter-segment sales for year ended 2013 to Jamaica and Benin, was located in African countries. The turnover from external customers of approximately HK$210.2 million (2012: approximately HK$206.2 million). The increase in turnover of approximately HK$4.0 million was mainly due to the increase in orders of approximately HK$18.2 million for common agricultural equipment and accessories, approximately HK$15.8 million for general supplies, approximately HK$6.6 million for general equipment, approximately HK$3.4 million for chemical materials and products, approximately HK$1.0 million for orders for motor vehicles and approximately HK$1.0 million for fertilizer and the decrease in orders of approximately HK$38.2 million for industrial and agricultural machinery, approximately HK$1.9 million orders in steels and approximately HK$1.9 million orders in daily commodity. The increase in sales of approximately HK$18.2 million in common agricultural equipment and accessories was mainly due to the approximately HK$24.7 million increase orders from one customer in the Republic of Madagascar ("Madagascar") that ordered a large number of industrial and agricultural machinery for the technical improvement and the completion of installation of approximately HK$9.2 million irrigation system project for a customer in the Republic of Sierra Leone ("Sierra Leone"). The increase in sales of HK$15.8 million in general supplies was due to approximately HK$4.3 million orders for home appliances, hardware tools, building materials for construction of new quarter of a customers in Madagascar, and approximately HK$3.0 million increase in orders for mixed-flow pump to build a new pumping station for customers in Madagascar and approximately HK$7.2 million orders for river dredging engineering materials from a customer in Sierra Leone. The increase in sales of approximately HK$6.6 million in general equipment was due to approximately HK$2.5 million orders for drip irrigation equipment in Madagascar, approximately HK$3.0 million order of diesel generators for pumping operation from customers in Madagascar. The increase in sales of approximately HK$3.4 million in chemical materials and products was due to approximately HK$5.4 million increase in orders to cope their increase in rum production of a customer in Madagascar. The increase in sales of approximately HK$1.0 million in motor vehicles was due to approximately HK$1.7 million orders of new sport utility vehicle vehicles and tanker cars and dump trucks from customers in Madagascar to phase out their old motor vehicles. The increase in sales of approximately HK$1.0 million in fertilizers was mainly due to approximately HK$4.3 million orders from a customer in Benin for cost reason shifting from domestic procurement to overseas. On the other hand, the decrease in sales of approximately HK$38.2 million for industrial and agricultural machinery was due to reduction in the demand for repair parts as industrial and agricultural machinery since most of their machinery and equipment are newly purchased. The decrease in sales of approximately HK$1.9 million orders in steels was due to some customers increased their proportion of local purchase. The decrease in sales of approximately HK$1.9 million orders in daily commodity of labour supplies (clothes and shoes) are usually placed alternative years and some of the procurement had completed in 2012.

Gross profit of supporting services to sweetener and ethanol business for the year ended 31st December 2013 increased by approximately HK$17.4 million to approximately HK$115.8 million (2012: approximately HK$98.4 million). The overall gross profit after elimination of inter-segment sales is approximately HK$108.2 million (2012: approximately HK$98.4 million) and the gross profit ratio increased by approximately 3.8% to approximately 51.5% (2012: approximately 47.7%). The increase in gross profit was mainly brought the approximately HK$4.0 million increase in turnover and the decrease in sales of lower margin industrial and agricultural machinery as previously explained.

The operating profit of this segment that after the elimination of inter-segment profit was approximately HK$66.2 million (2012: approximately HK$45.0 million). The approximately HK$21.2 million increase in operating profit was mainly brought by the approximately HK$9.8 million increase in gross profit that after elimination of inter-segment profit as explained above and the approximately HK$11.4 million reduction in labour costs through measures of adjusting the human resource structures and remuneration system during the year.

Dividend

The directors do not recommend the payment of a dividend for the years ended 31st December 2013 and 2012.

Prospects

It is expected that, the Group's Jamaica Sugar Industry Project segment will continue to face difficulties and challenges next year. For the short term challenge and difficulties, they include the decrease in average sugar price in Europe and the increasing local production input cost and therefore the operation margin will continue under pressure in short term. Despite this, the management is cautiously optimistic about the medium to long term of Jamaica Sugar Industry Project. We have implemented several medium measures to improve the future profitability. On the information technology aspect, we have replaced the existing Sage Platinum system and transit to Oracle E-Business Suite system, with first phrase of implementation of modules of general ledger, accounts receivable and payable, fixed asset management, sales order management, inventory, procurement and an add-on for land block management. We aimed to achieve, among others, real-time processing under network environment with an integration of multiple modules to achieve a centralised database for improvement in data accuracy and transaction processing speed. On the industrial reform aspects, we will demolish existing boilers set and install a new set of bagasse boiler and its ancillary demineralised water system, hydraulic ash handling system, bagasse conveyor systems, bagasse yard and other related facilities. On the agricultural improvement aspects, the new planted land has reached 2,001 hectares (2012: 1,666 hectares). The new planted land accounted for 22.8% (2012: 17.9%) of total areas under crop, which showed an increase of 4.9%. Dealing with the drought weather condition which remains the key challenge to the agricultural operation, we will continue to enhance the irrigation system to deal with poor weather condition to improve the cane farm productivity. Therefore, the directors maintain a positive outlook on future of the Jamaica Sugar Industry Project segment.

For the Group's ethanol biofuel business, the construction progress and future profitability will severely hinder by the unavailable of leased land. The Board is considering postponing the future fund injection to seek ways to downsize the future operation in response to this recent setback to mitigate the heavy operational loss in future operation. As such result, the completion date will further delay to next year or beyond.

For the Group's supporting services to sweetener and ethanol business segment, the demand from our customers in African countries remains stable and show a slight growth as they expands their areas under crop and one of customers in Madagascar has extended its lease with local government.

Financial Review

Liquidity and Financial Resources Review

Equity

As at 31st December 2013, the Company had 2,191,180,000 outstanding ordinary shares of HK$0.1 each (2012: 2,191,180,000 shares). Total equity attributable to owners of the Company as at 31st December 2013 amounts to approximately HK$724.5 million (2012: approximately HK$969.5 million).

Borrowings

As at 31st December 2013, the Group's total borrowings that consisted of short-term bank loan and convertible notes of approximately HK$597.5 million (2012: approximately HK$652.9 million), of which approximately HK$597.5 million (2012: approximately HK$585.6 million) was the outstanding five-year zero-coupon Hong Kong-dollar convertible notes, HK$nil (2012: approximately HK$67.4 million) bank borrowings by a subsidiary in Jamaica of the Group and the bank borrowings was secured by certain bank deposits and have no recourse to the Group other than the subsidiary in Jamaica.

Financial Review *(Continued)*

Liquidity and Financial Resources Review *(Continued)*

Gearing

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 31st December 2013 was approximately 82.5% (2012: 67.3%). 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 owners of the Company of approximately HK$216.8 million. All the Group's borrowings as at 31st December 2013 and 2012 are denominated in Hong Kong dollars and US dollars.

Financial Resources

Bank deposits and cash balances as at 31st December 2013 amounted to approximately HK$331.7 million (2012: approximately HK$949.1 million), mainly denominated in Hong Kong dollars and US dollars. The bank balances were placed in short term deposits with major banks in Hong Kong, Jamaica and Benin. The bank balance and cash declined by approximately HK$617.4 million. The decline was brought by the net cash used in operation of approximately HK$217.5 million mainly due to the repayment of trade and other payables of approximately HK$138.8 million, the net cash used in investing activities of approximately HK$250.9 million mainly due to approximately HK$25.3 million used for acquisition of 70% interest in Joyful Right Group and approximately HK$227.6 million for acquisition of fixed assets and the net cash outflow used in finance activities of approximately HK$145.6 million mainly due to the repayment of bank loan of approximately HK$63.1 million and the repayment of five-year zero-coupon Hong Kong-dollar convertible notes of HK$75.0 million.

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

Capital Structure

On 27th June 2013, the Company completed the issue of the five-year zero-coupon Hong Kong-dollar convertible notes in the principal amount of HK$45.75 million to China-Africa Xin Xing Investment Limited ("CAXX"), 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 proceeds 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 minimise 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 2013.

Foreign Exchange Exposure

The Group operates in Jamaica, African countries, China and Hong Kong. During the year ended 31st December 2013, turnover was denominated mainly in US dollars and Jamaican dollars while its costs and expenses were primarily in Jamaican dollars and US dollars where the Group's continuing operations are based. The Group is exposed to potential foreign exchange risk as a result of fluctuations between those currencies that are not pegged. In addition, the main operational assets of the Group are located and denominated in local currencies in Jamaica and African countries while the Group's reporting currency is in Hong Kong dollars. This also exposes the Group to potential foreign exchange risk upon translation of those assets on each reporting date.

Financial Review *(Continued)*

Liquidity and Financial Resources Review *(Continued)*

Foreign Exchange Exposure (Continued)

The Group did not enter into any arrangements or financial instruments for the purpose of hedging against the potential foreign exchange risks during the year under review. In the event that Jamaican dollars were to depreciated 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.

Contingent Liabilities

As at 31st December 2013 and 2012, a subsidiary of the Group issue bank guarantee in Jamaica of J$40.0 million (approximately HK$2.9 million) in favour of suppliers for the purpose of its fuel and electricity supply on credit terms.

Pledge of Assets

As at 31st December 2013 and 2012, River Right Limited (the "River Right", a wholly-owned subsidiary of the Company) had pledged its interest in 65 shares in 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 CAXX, a wholly-owned subsidiary of CADFund.

As at 31st December 2013 and 2012, a bank deposit of a subsidiary of approximately J$42.8 million (approximately HK$3.1 million) (2012: approximately J$21.0 million (approximately HK$1.7 million)) was pledged by a subsidiary of the Group to secure against its bank guarantee of J$40.0 million (approximately HK$2.9 million) in Jamaica during the year ended 31st December 2013 and 2012. The cash collateral account attracts interest at 2.25% to 4.25% for the year ended 31st December 2013 (2012: 4.5%).

Capital Commitment

As at 31st December 2013, the Group did not have any significant capital commitments.

Significant Investment Held

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

Financial Review *(Continued)*

Liquidity and Financial Resources Review *(Continued)*

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

On 12th April 2013, the Company completed the acquisition of 70% interest of the Jamaica Sugar Industry Project by acquiring 70% equity interest in Joyful Right Limited together with its subsidiary (the "Joyful Right Group") at a consideration of US$3.2 million (approximately HK$25.4 million) which was satisfied by the payment in cash to COMPLANT International Sugar Industry Co. Ltd. ("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, a direct wholly-owned subsidiary of the Company, completed the acquisition of 25% of equity interest in Zheng Da together with its subsidiaries (the "Zheng Da Group") at a consideration of US$25 (approximately HK$193) to CAXX, a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of CADFund and shall take up the CAXX's liability to make capital contribution to Zheng Da in the sum of US$5.93 million (approximately HK$46.0 million). Following the completion of this acquisition, River Right owns 90% and Complant owns 10% of the entire issued share capital of Zheng Da 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 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 CAXX, a limited liability company incorporated in Hong Kong, which is a wholly-owned subsidiary of CADFund 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 finalised and further negotiations are necessary.

Financial Review *(Continued)*

Liquidity and Financial Resources Review *(Continued)*

Employees and Remuneration Policy

Staff remuneration packages of the Group are comprised of salary and discretionary bonuses and are determined with reference to the market conditions and the performance of the Group and the individuals concerned. The Group also provided other staff benefits including medical insurance, provident funds and share options to eligible staff of the Group. The total remuneration paid to the employees (including pension costs and the directors' remuneration) of the Group in the year under review was approximately HK$117.8 million (2012: approximately HK$163.7 million), of which, approximately J$1,248.5 million (approximately HK$97.0 million) (2012: approximately J$1,529.8 million (approximately HK$134.3 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 reduction of production volume that employed lesser temporary employee for reason of reduction of quantity of sugar cane harvested during the year.

As at 31st December 2013, the Group had 337 full time employees (2012: 323) and 1,198 temporary employees (2012: 1,527).

Liu Xueyi
Chairman

Hong Kong, 28th March 2014

DIRECTORS

Executive Directors

Mr. LIU Xueyi, aged 58, was appointed as Executive Director and Chairman of the Board in January 2014. Mr Liu is currently the president assistant of State Development & Investment Corporation ("SDIC", the parent company of China National Complete Plant Import & Export Corporation (Group) ("China Complant", a controlling shareholder of the Company)), the director and chairman of board of China Complant and the director of COMPLANT International Sugar Industry Co., Ltd. ("COMPLANT", a substantial shareholder of the Company). Mr. Liu holds a Bachelor of Engineering in Salt Manufacturing Machinery from Tianjin University of Science & Technology. Mr. Liu is qualified as a senior engineer conferred by China Development Bank. Mr. Liu has accumulated more than 31 years of experience in project planning and corporate management from various corporations. Mr. Liu joined SDIC to work for its various affiliated companies when restructuring of the former six state investment corporations (including the State Electromechanical Textile Investment Corporation) formed SDIC in May 1995. Mr. Liu began his career at Ministry of Light Industry of People's Republic of China and was the cadre of Ministry of Light Industry of People's Republic of China from July 1982 to August 1990. Mr. Liu was the deputy division chief of Electromechanical Textile Investment Corporation from August 1990 to December 1993, the general manager of Hainan Zhonghai Industrial Investment Co., Ltd. from January 1994 to December 1997, the chairman of the Board and general manager of Shenzhen Xianke Electron Co., Ltd. and Shenzhen Publishing Co., Ltd. from January 1998 to July 2001, the general manager of SDIC Electron Co., Ltd from July 2001 to October 2002, the general manager of SDIC High-tech Investment Co., Ltd (previously known as SDIC Venture Capital Co., Ltd) from October 2002 to August 2006 and the president assistant of SDIC since August 2006. Mr. Liu was concurrently the chairman of the board of SDIC Zhonglu Fruit Juice Co., Ltd (a company listed on the Shanghai Stock Exchange, Stock Code: 600962) from June 2004 to April 2010. SDIC most recently appointed Mr. Liu to serve as the director and chairman of board of China Complant since July 2012. Under China Complant group, Mr. Liu was also elected as the director and chairman of the board of China National Complete Plant Import & Export Corporation Limited (a company listed on the Shenzhen Stock Exchange, Stock Code: 000151) on April 2013 and also being appointed as the director of COMPLANT since November 2013.

Mr. HAN Hong, aged 50, was appointed as Executive Director in May 2009. Mr. Han is also the director of several subsidiaries of the Company. He was appointed as director of Sino-Africa Technology & Trading Limited ("SATT") since March 2009, director of Sino-Africa Technology & Trading (Hong Kong) Limited since March 2009 and director of PCSC since June 2013. Mr. Han holds a Bachelor of Engineering from Anhui Institute of Technology majored in Mechanical Technology and Equipment. Ministry of Foreign Trade and Economic Cooperation of the People's Republic of China granted Mr. Han the title of senior engineer in International Commercial Project in December 1996. Mr. Han has over 30 years experience in project engineering, investment and general management. Mr. Han began his career at CHINA COMPLANT as a project manager in Spare Parts Department in August 1984. Later, Mr. Han promoted as the deputy division chief in CHINA COMPLANT from January 1993 to November 1994. After, Mr. Han seconded to Zina Enterprise (PVT) Ltd. in Zimbabwe, a subsidiary of CHINA COMPLANT, as the managing director from November 1994 to January 1998. Thereafter, Mr. Han transferred back to CHINA COMPLANT as the general manager in Investment Management Department from April 1998 to November 2007 and also appointed as the chairman of Yunnan Yuanjiang Ever Green Biology (Group) Co., Ltd., a subsidiary of CHINA COMPLANT, from March 2000 to January 2004. Mr. Han was also appointed as director and general manager of COMPLANT since September 2012 and as director and vice president of China Complant since March 2013.

DIRECTORS *(Continued)*

Executive Directors *(Continued)*

Mr. HU Yebi, aged 50, was appointed as Executive Director in December 2010. Mr. Hu received his MBA from International Management School of the Netherlands in Delft, Holland and Postgraduate Diploma in Management Engineering from Beijing Institute of Technology in Beijing, China. Mr. Hu has more than 24 years' experience in securities and financial services, merger and acquisition and corporate finance. Mr. Hu is a licensed person registered under the Securities and Futures Ordinance (the "SFO") to carry on regulated activities on Dealing in Securities and Advising on Corporate Finance, and Mr. Hu is currently the responsible officer of Vision Finance International Company Limited, a registered institution licensed to carry on Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) of the regulated activities under the SFO. Prior to that, Mr. Hu was the managing director, equity capital markets of DBS Asia Capital Ltd, a subsidiary of DBS Bank Limited (previously known as the Development Bank of Singapore Ltd.) from 14th March 1994 to 15th March 2002. Between 16th March 2002 to 22nd January 2005, Mr. Hu was the founder and chairman of Partners Capital International Limited. From 1st July 2006 to present, Mr. Hu is the founder and chairman of Vision Finance Group Limited, the holding company of Vision Finance International Company Limited. For other listed company and public employment positions previously held, Mr. Hu was an independent non-executive director from 9th May 2005 to 8th May 2006 of VST Holdings Limited, a company listed on Main Board of The Stock Exchange of Hong Kong Limited under Stock Code of 856 and Mr. Hu was also appointed as a part-time member of Central Policy Unit of The Government of the HKSAR from 1st January 2008 to 31st December 2009.

Mr. HU Zhirong, aged 43, was appointed as Executive Director in January 2014. Mr. Hu is currently the vice president of CADFund. Mr. Hu holds a bachelor's degree in Economics from Beijing Jiaotong University and a master's degree in Economics from Renmin University of China. Mr. Hu is qualified as a senior economist conferred by China Development Bank. Mr. Hu has over 17 years' experience in banking and investment. Mr. Hu started his career in banking with China Development Bank where he successively worked in Transportation and Environment Appraisal Bureau as a staff member from January 1997 to November 1999, as the deputy head of second appraisal section of Appraisal Management Bureau from November 1999 to September 2002, as the section head of Credit Management Bureau from September 2002 to October 2007 and assuming the current position as the vice president of CADFund since October 2007.

Mr. WANG Zhaohui, aged 40, was appointed as Executive Director in January 2014. Mr. Wang is currently the deputy general manager of COMPLANT Hong Kong Limited, a wholly-owned subsidiary of China Complant. Mr. Wang studied Foreign Trade Accounting at University of International Business and Economics and graduated in July 1995. Mr. Wang is qualified as an intermediate accountant conferred by Ministry of Finance of China. Mr. Wang has over 22 years' experience in finance and accounting. Mr. Wang started its career in China Complant in December 1991 and served various positions at China Complant and its subsidiaries, including as an accountant in COMPLANT Hotel from December 1991 to April 1998, as an accountant in financial department of China Complant from May 1998 to October 1999, as the chief financial officer of Pitons Management Area Reservoir Project of China Complant from November 1999 to October 2000, later returned to financial department of China Complant as an accountant from November 2000 to January 2002, as the finance manager of La Sucrerie de COMPLANT de Madagascar from February 2002 to October 2004, as the section head of financial department of China Complant from November 2004 to November 2007, as the deputy financial manager of COMPLANT from December 2007 to July 2011, as the finance manager of COMPLANT from August 2011 to September 2012 and assuming his current position since October 2012.

DIRECTORS *(Continued)*

Independent non-executive Directors

Dr. ZHENG Liu, aged 39, was appointed as Independent Non-Executive Director and Chairman of the Remuneration Committee and the Audit Committee of the Company. Dr. Zheng joined the Company in July 2007. She received her Ph.D. degree in accounting from University of Southern California in 2003 and her bachelor degree in accounting from Shanghai University of Finance and Economics in 1996. Dr. Zheng is an associate professor in the Department of Accountancy at City University of Hong Kong since August 2011 and was previously an assistant professor in the School of Business at the University of Hong Kong from August 2003 to July 2011. Dr. Zheng is a member of American Accounting Association.

Mr. YU Chi Jui, aged 59, is an Independent Non-Executive Director and a member of the Remuneration Committee and the Audit Committee of the Company. Mr. Yu joined the Company in May 2001. He has over 24 years experience in sales and marketing in Taiwan and the PRC.

Ms. LI Xiao Wei, aged 42, is an Independent Non-Executive Director and a member of the Remuneration Committee and the Audit Committee of the Company. Ms. Li joined the Company in September 2004. She has over 13 years experience in sales and marketing in the PRC.

SENIOR MANAGEMENT

Mr. WAN Hok Shing, aged 47, is the Financial Controller and Company Secretary of the Group. Mr. Wan also holds directorship in two subsidiaries of the Company. He is responsible for overall financial reporting, corporate finance and compliance matters of the Group. Mr. Wan has over 21 years of experience in corporate finance, listing compliance, accounting and auditing. Prior to joining the Group in August 1999, he held a senior finance position in another Main Board listed company and worked at one of the big four international accounting firms for about five years. Mr. Wan was in charge of the Group's initial public offering on the Main Board in 2000 and he also assist the Group in a series of subsequent financial activities including fund raising, acquisition and corporate restructuring activities etc. He is currently a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants of the UK, an Associate Member of The Institute of Chartered Secretaries and Administrators of the UK and The Hong Kong Institute of Chartered Secretaries and a Member of The Chinese Institute of Certified Public Accountants of the PRC. Mr. Wan holds a Bachelor's Degree with Honours in Hospitality Management from the Hong Kong Polytechnic University and a Diploma of Legal Studies with distinction from the University of Hong Kong. Mr. Wan was awarded the Chartered Financial Analyst (CFA) charter in 2013 by CFA Institute USA after passing all three levels of the rigorous exam series on his first attempts. CFA charter has been recognised in the UK as being equivalent to a Master's Degree in Finance.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December 2013.

Principal Activities

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December 2013 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 35 to 36.

The directors do not recommend the payment of any dividend in respect of the year ended 31st December 2013.

Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out on page 108.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$227.6 million for the purpose of expanding its business. Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Share Capital

Details of the Company's share capital are set out in note 28 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution consisted of contributed surplus of approximately HK$468,576,000 (2012: approximately HK$468,576,000) that offset the accumulated losses of approximately HK$939,402,000 (2012: approximately HK$667,509,000). There were no net distributable reserves available as at 31st December 2013 and 2012.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 76% of the Group's turnover and the Group's largest customer accounted for approximately 24% of the Group's total sales.

The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 83% of the Group's total purchases and the Group's largest supplier accounted for approximately 57% of the Group's total purchases.

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

Directors and Directors' Service Contracts

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

Executive Directors :

Mr. Liu Xueyi [(1)]
Mr. Han Hong
Mr. Hu Yebi
Mr. Hu Zhirong [(1)]
Mr. Wang Zhaohui [(1)]
Mr. Tang Jianguo [(2)]

Independent Non-Executive Directors:

Dr. Zheng Liu
Mr. Yu Chi Jui
Ms. Li Xiao Wei

Notes:

(1) Appointed on 21st January 2014

(2) Resigned on 21st January 2014

In accordance with Articles 99 and 116 of the Company's Articles of Association, Mr. Liu Xueyi, Mr. Han Hong, Mr. Hu Zhirong, Mr. Wang Zhaohui, Dr. Zheng Liu and Mr. Yu Chi Jui will be retired from the office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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

Biographical Details of Directors and Senior Management

Biographical details of the directors and the senior management of the Group are set out in the section headed "Profile of Directors and Senior Management" on pages 13 to 15 of this annual report.

Directors' Interests in Securities

As at 31st December 2013, the interests of the directors and their associates in the ordinary shares in the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows;

	Number of ordinary shares held				
Name of director	**Beneficial owner**	**Held by spouse** (Note)	**Held by controlled corporation** (Note)	**Total**	**Approximate % of the issued share capital**
Mr. Hu Yebi	–	3,448,000	212,495,083	215,943,083	9.86%

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

Save as disclosed above, none of the directors or their associates had any interests or short positions in any securities of the Company or any of its associated corporation as at 31st December, 2013.

Share Options

2000 Share Option Scheme

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

Up to 31st December 2013, no share option was granted since adoption under the terminated 2000 share option scheme.

2007 Share Option Scheme

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

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

Particulars of the Company's share option schemes are set out in note 31 to the consolidated financial statements.

Arrangements to Purchase Shares or Debentures

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

Substantial Shareholders

Apart from the interest of the directors in shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors interest in Securities", the register kept under section 336 of the SFO shows that as at 31st December 2013 the Company has been notified of the following interest in the shares of the Company.

Long Position

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

Note 1: In addition to the 300,000,000 Shares, COMPLANT holds convertible notes of principal amount HK$533.7 million convertible into 889,500,000 Shares representing 40.59% of the issued capital of the Company.

Note 2: State-owned Assets Supervision and Administration Commission (中國國務院國有資產監督管理委員會) holds 100% of the State Development & Investment Corp.(國家開發投資公司) which holds 100% of China Complant which in turn holds 70% in COMPLANT.

Connected Transactions and Continuing Connected Transactions

Connected Transactions

(a) On 12th April 2013, the Company completed the acquisition of 70% interest of the Jamaica Sugar Industry Project by acquiring 70% equity interest in Joyful Right Limited together with its subsidiary (the "Joyful Right Group") at a consideration of US$3.2 million (approximately HK$25.4 million) which was 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%.

(b) On 31st May 2013, River Right, a direct wholly-owned subsidiary of the Company, as purchaser entered into the Acquisition Agreement with the Subscriber as seller, pursuant to which the Subscriber agreed to sell and River Right agreed to acquire 25% of equity interest in Zheng Da at a consideration of US$25 (approximately HK$193). Following completion of the Acquisition on 31st May 2013, River Right shall own 90% of the entire issued share capital of Zheng Da and shall take up the Subscriber's liability to make capital contribution to Zheng Da in the sum of US$5,930,000 (approximately HK$45,750,000), which shall mainly be satisfied by the proceeds from the issue of the Convertible Notes to the Subscriber. As the Subscriber holds 25% shareholding interest in Zheng Da, a non-wholly owned subsidiary of the Company in relation to the Benin Ethanol Biofuel Business, the Subscriber is a connected person to the Company under Chapter 14A of the Listing Rule. The Company will apply with immediate effect the exemption under Rule 14A.31(9) of the Listing Rules to the Transaction entered into with the Subscriber .

(c) On 31st May 2013 (after trading hours), the Company and the Subscriber entered into the Convertible Note Subscription Agreement in respect of the issue of the Convertible Notes in the principal amount of HK$45,750,000. Completion of the Subscription is subject to the conditions as set out in the paragraph headed "Conditions precedent" below. Detailed terms of the Convertible Notes are set out in the paragraph headed "Principal terms of the Convertible Notes" in this announcement. The net proceeds from the Convertible Notes of approximately HK$45,500,000 will be used for financing the Benin Ethanol Biofuel Business. The Company issued the Convertible Notes in the principal amount of HK$45,750,000 to the Subscriber pursuant to the Subscription Agreement on 27th June 2013. The Conversion Shares falling to be allotted and issued upon exercise of the conversion rights attached to the Convertible Note will be issued under the General Mandate.

(d) On 2nd September 2013, the Company redeemed a principal amount of HK$75,000,000 of 2009-2014 convertible notes held by Hollyview International Limited, a company beneficially owned by Mr. Hu Yebi, an executive director of the Company when it exercised the early redemption right.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions

During the year, the continuing connected transactions as detailed below had duly complied with all requirements under Listing Rules. These continuing connected transactions also constitutes related party transactions made during the year that disclosed in note 34 to the consolidated financial statements. However, the figures in note 34 to the consolidated financial statements excluded transactions with CBB (90% owned by the Company and 10% owned by COMPLANT) and PCSC (70% owned by the Company and 30% owned by COMPLANT) of approximately HK$221.5 million that has been eliminated on group consolidation.

(a) As disclosed in circular dated 21st December 2011, SATT, a wholly owned subsidiary of the Company had entered five supply and service agreements dated 5th December 2011 for an initial term of three years with four subsidiaries of COMPLANT and Zheng Da and as disclosed in circular dated 4th March 2013, SATT, a wholly owned subsidiary of the Company had entered 2013-2014 Jamaica Supply and Service Agreement between SATT and PCSC on 6th February 2013 in respect of the provision of E&M and service exclusively by SATT for an initial term of about two years commencing from date of approval by the Independent Shareholders at the CCT EGM up to 31st December 2014. This continuing connected transaction had been approved by independent shareholders of the Company on 10th January 2012 and 22nd March 2013, the total amount of transaction with the four subsidiaries of COMPLANT, CBB (90% owned by the Company and 10% owned by COMPLANT) and PCSC (70% owned by the Company and 30% owned by COMPLANT) during the year was approximately HK$431.7 million which was within the annual cap of approximately HK$813.5 million.

(b) As disclosed in circular dated 21st December 2011, SATT had entered a supply and service agreements dated 5th December 2011 for an initial term of three years with substantial shareholder of COMPLANT and as disclosed in circular dated 4th March 2013, SATT, a wholly owned subsidiary of the Company had entered an addendum to the 2012-2014 Supply and Service Agreement between China Complant and SATT on 6th February 2013 to cater for the resulting additional purchase orders of E&M and service to China Complant for fulfillment of orders from PCSC. This continuing connected transaction had been approved by independent shareholders of the Company on 10th January 2012 and 22nd March 2013. The total amount of transaction with substantial shareholder of COMPLANT during the year was approximately HK$286.4 million which was within the annual cap of approximately HK$639.4 million.

(c) As disclosed in announcement on 5th December 2011, SATT had entered office tenancy agreements dated 5th December 2011 with substantial shareholder of COMPLANT for an initial term of two years a. As the applicable percentage ratio of the Company in respect of the aggregate annual rentals and management fees payable by SATT under the Tenancy Agreements is less than 0.1%, the Tenancy Agreements are exempted from the reporting, annual review, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The total amount of rental and management fee paid to substantial shareholder of COMPLANT during the year was approximately HK$993,000.

All the Continuing Connected Transactions above have been reviewed by the independent non-executive directors of the Company who have confirmed that for the year ended 31st December 2013 the Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to (or from) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected Transactions and Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions *(Continued)*

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain factual finding procedures in respect of the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board and confirmed that for the year ended 31st December 2013 the Continuing Connected Transactions (i) have received approval from the Board of the Company; (ii) are in accordance with the pricing policies of the Company, where applicable; (iii) have been entered into in accordance with the terms of the agreements governing the transactions; and (iv) have not exceeded the respective cap amounts for the year ended 31st December 2013 as set out above in respect of each of the Continuing Connected Transactions. A copy of the auditor's letter has been provided to The Stock Exchange of Hong Kong Limited.

Directors' Interest in Contracts of Significance

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

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

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December 2013.

Pre-emptive Rights

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

Emolument Policy

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

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

Corporate Governance

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

Auditor

The consolidated financial statements for the year ended 31st December 2011 were audited by HLM & Co. On 29th January 2013, the Company was informed that the accounting practice of HLM & Co. as partnership has been reorganised and taken over by HLM CPA Limited as limited company on 16th January 2013. Consequently, HLM & Co. has to resign as auditor of the Company and HLM CPA Limited will continue to serve as auditors of the Company both with effect from 16th January 2013. The consolidated financial statements for the years ended 31st December 2012 and 31st December 2013 were audited by HLM CPA Limited who will retire and being eligible to be reappointed as auditor of the Company at the forthcoming annual general meeting.

On behalf of the Board
Liu Xueyi
Chairman

Hong Kong, 28th March 2014

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31st December 2013.

Corporate Governance Practices

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

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

Code on Corporate Governance Practices

During the year ended 31st December 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 past 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 reelection. 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 year. 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 on Corporate Governance Practices *(Continued)*

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 year.

Model Code for Securities Transactions by Directors

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

Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code for the year ended 31st December 2013.

The Board of Directors

(a) Responsibilities

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

(b) Composition

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

The Board of Directors *(Continued)*

(b) Composition *(Continued)*

Composition of the Board and its changes during the year ended 31st December 2013 and up to date of this annual report is as follows:

Executive Directors

Mr. Liu Xueyi [1]
Mr. Han Hong
Mr. Hu Yebi
Mr. Hu Zhirong [1]
Mr. Wang Zhaohui [1]
Mr. Tang Jianguo [2]

Independent Non-Executive Directors

Dr. Zheng Liu
Mr. Yu Chi Jui
Ms. Li Xiao Wei

Notes:

(1) Appointed on 21st January 2014

(2) Resigned on 21st January 2014

Mr. Liu Xueyi is the chairman of the Board and the position of CEO/managing director of the Company is vacant.

The profiles of each director are set out in the "Profile of Directors and Senior Management" section on pages 13 to 15.

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

(c) Appointment of Directors and Re-election of Directors

On 21st January 2014, Mr. Tang Jianguo resigned as an executive director and chairman of the Board.

On 21st January 2014, Mr. Liu Xueyi was appointed as an executive director and chairman of the Board, Mr. Hu Zhirong and Mr. Wang Zhaohui were appointed as executive directors and the addition to the Board is subject to re-election at conclusion of the 2014 Annual General Meeting ("2014 AGM").

According to the Company's articles of association, one-third of the directors are required to retire from office at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once in every three years. The directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election. Any new director appointed as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next following annual general meeting of the Company after appointment. There are six directors (Mr. Liu Xueyi , Mr. Han Hong, Mr. Hu Zhirong, Mr. Wang Zhaohui, Dr. Zheng Liu and Mr. Yu Chi Jui) subject to re-election at conclusion of the 2014 AGM. Pursuant to the Company's articles of association, they are all eligible for re-appointment.

The Board of Directors *(Continued)*

(d) Induction for Directors

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

(e) Directors' Continuous Training and Development

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

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

(f) Board Meetings and Shareholders Meetings Attended

According to the CG Code, the board of directors should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the reporting period, the Company convened a total 6 board meetings, an annual general meeting and an extraordinary general meeting. Attendance records of the directors at board meetings (directors who involved in connected transactions and board committee meeting and required to be abstained from the meeting are also deemed as attending directors), annual general meeting and an extraordinary general meeting in 2013 are set out as follows:

Name of Director	Board Meetings	Attendance at annual general meeting	Attendance at extraordinary general meeting
Executive Directors			
Mr. Liu Xueyi [(1)]	N/A	N/A	N/A
Mr. Han Hong	6/6	0/1	0/1
Mr. Hu Yebi	6/6	0/1	0/1
Mr. Hu Zhirong [(1)]	N/A	N/A	N/A
Mr. Wang Zhaohui [(1)]	N/A	N/A	N/A
Mr. Tang Jianguo [(2)]	5/6	0/1	0/1
Independent Non-Executive Directors			
Dr. Zheng Liu	4/6	1/1	0/1
Mr. Yu Chi Jui	3/6	0/1	0/1
Ms. Li Xiao Wei	3/6	0/1	0/1

Notes:

(1) Appointed on 21st January 2014

(2) Resigned on 21st January 2014

Independence of Non-executive Directors

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

Board Committees

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

(a) Nomination Committee

The Nomination Committee was established by the Company in February 2012. As at the date of this report, the Nomination Committee comprises three independent non-executive directors of the Company, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei. Dr. Zheng Liu is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The terms of reference of the Nomination Committee are available on the website of The Stock Exchange of Hong Kong ("HKSE") and the Company's website. During the financial year ended 31st December 2013, the Nomination Committee held one meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Dr. Zheng Liu	1/1
Mr. Yu Chi Jui	1/1
Ms. Li Xiao Wei	1/1

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

The following was a summary of the work performed by the Nomination Committee in 2013:

1. endorsed the terms of reference of the Nomination Committee.

2. reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board. The Nomination Committee concluded that the Board possesses of a diversity of skills, expertise, experience and qualifications and believed that the Board performs its duties competently.

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

4. nominated Mr. Tang Jianguo, Mr. Hu Yebi and Ms. Li Xiao Wei for the Board's recommendations to stand for election at the 2013 annual general meeting of the Company and reviewed the relevant sections in the circular to the shareholders of the Company.

Board Committees *(Continued)*

(b) Remuneration Committee

A Remuneration Committee was established by the Company in 2005. As at the date of this report, the Remuneration Committee comprises three independent non-executive directors of the Company, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei. Dr. Zheng Liu is the chairman of the Remuneration Committee.

The primary function of the Remuneration Committee is to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the website of the HKSE and the Company's website.

During the financial year ended 31st December 2013, the Remuneration Committee held one meeting. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Dr. Zheng Liu	1/1
Mr. Yu Chi Jui	1/1
Ms. Li Xiao Wei	1/1

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

The following was a summary of the work performed by the Remuneration Committee in 2013:

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

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

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

4. endorsed the revised terms of reference of the Remuneration Committee

Details of the remuneration of each of the directors of the Company are set out in note 12 to the consolidated financial statements. Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the member of the senior management by band for the year ended 31st December 2013 is set out below:

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

Board Committees *(Continued)*

(c) Audit Committee

An Audit Committee was established by the Company in 1998. As at the date of this report, the Audit Committee comprises three independent non-executive directors of the Company, Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei, one of whom possess recognised professional qualifications in accounting and have wide experience in auditing and accounting. Dr. Zheng Liu is the chairman of the Audit Committee.

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

During the financial year ended 31st December 2013, the Audit Committee held three meetings. The attendance of each member is set out as follows:

Name of Member	Number of attendance
Dr. Zheng Liu	3/3
Mr. Yu Chi Jui	3/3
Ms. Li Xiao Wei	3/3

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

The following was a summary of the work performed by the Audit Committee in 2013:

1. reviewed the Group's consolidated financial statements for the year ended 31st December 2012 and the annual results announcement with a recommendation to the Board for approval.

2. reviewed the Group's consolidated financial statements for the six months period ended 30th June 2013 and the interim results announcement with a recommendation to the Board for approval.

3 reviewed the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

4. Held meetings with external auditor.

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

6. endorsed the revised terms of reference of the Audit Committee.

At the Audit Committee meeting on 27th March 2014, the Audit Committee reviewed the Group's consolidated financial statements for the year ended 31st December 2013 and the annual results announcement with a recommendation to the Board for approval.

Directors' Responsibility for the Consolidated Financial Statements

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

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

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

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

Internal Controls

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets and, with the support of the Audit Committee, for reviewing the effectiveness of such system. The management reviews and evaluates the control process and monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company. No material deficiencies have been identified so far.

Auditor's Remuneration

For the financial year ended 31st December 2013, the fee paid/payable to the Group's auditor, HLM CPA Limited, is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services	
– fee for 2013 annual report	500
– disbursement for 2013 annual report	300
Non-audit services	–
Total	800

Company Secretary

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

The company secretary's biography is set out in the Profile of Directors and Senior Management section of this Annual Report. In compliance with Rule 3.29 of the Listing Rules, Mr. Wan Hok Shing has undertaken no less than 15 hours of relevant professional training during the year ended 31st December 2013.

Shareholders' Rights

(a) Convening an Extraordinary General Meeting

Pursuant to article 72 of Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times has the right, by written requisition specifying the objects of the meeting and signed by the requisitionists to the Company's principal place of business in Hong Kong at Unit 2513A, 113 Argyle Street, Mongkok, Kowloon, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

(b) Putting Forward Proposals at General Meeting

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

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

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at the Company's principal place of business in Hong Kong at Unit 2513A, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

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

Communication with Shareholders

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

Investor Relations

Constitutional Documents

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

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

Room 305, Arion Commercial Centre
2-12 Queen's Road West, Hong Kong
香港皇后大道西 2-12 號聯發商業中心 305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: info@hlm.com.hk

TO THE MEMBERS OF HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hua Lien International (Holding) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 107, which comprise the consolidated statement of financial position as at 31st December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong

28th March 2014

Consolidated Statement of Profit or Loss

For the year ended 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Turnover	8	**561,874**	649,538
Cost of sales		**(453,903)**	(537,024)
Gross profit		**107,971**	112,514
Changes in fair value of biological assets	18	**(32,663)**	60,348
Other income		**9,403**	13,621
Administrative expenses		**(94,244)**	(95,210)
Other expenses	9	**(167,581)**	(21,150)
(Loss)/profit from operations		**(177,114)**	70,123
Finance costs	10	**(95,105)**	(87,243)
Loss before tax		**(272,219)**	(17,120)
Income tax expense	14	**–**	–
Loss for the year	11	**(272,219)**	(17,120)
Loss for the year attributable to:			
Owners of the Company		**(216,844)**	(14,860)
Non-controlling interests		**(55,375)**	(2,260)
		(272,219)	(17,120)
Loss per share	16		
– Basic (cents per share)		**(9.90)**	(0.90)
– Diluted (cents per share)		**(9.90)**	(0.90)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December 2013

	2013 HK$'000	2012 HK$'000 (restated)
Loss for the year	**(272,219)**	(17,120)
Other comprehensive expense for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(20,336)**	(12,376)
Total comprehensive expense for the year	**(292,555)**	(29,496)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(231,019)**	(23,523)
Non-controlling interests	**(61,536)**	(5,973)
	(292,555)	(29,496)

Consolidated Statement of Financial Position

At 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
Non-current assets			
Property, plant and equipment	17	**229,837**	190,517
Biological assets-cane roots	18	**27,395**	27,275
Goodwill	19	**226,511**	226,511
Intangible asset	20	**320,775**	341,925
		804,518	786,228
Current assets			
Biological assets-growing cane	18	**98,424**	92,618
Inventories	21	**114,671**	143,057
Trade and other receivables	22	**329,675**	245,806
Bank balances and cash	23	**331,746**	949,134
		874,516	1,430,615
Current liabilities			
Trade and other payables	24	**131,185**	301,548
Other financial liabilities	26	**5,288**	–
Short-term loan	25	**–**	67,360
		136,473	368,908
Net current assets		**738,043**	1,061,707
Total assets less current liabilities		**1,542,561**	1,847,935
Non-current liabilities			
Convertible notes	26	**597,475**	585,559
Amounts due to non-controlling interests	27	**313,997**	324,736
		911,472	910,295
Net assets		**631,089**	937,640
Capital and reserves			
Share capital	28	**219,118**	219,118
Reserves		**505,354**	750,337
Equity attributable to owners of the Company		**724,472**	969,455
Non-controlling interests	29	**(93,383)**	(31,815)
Total equity		**631,089**	937,640

The consolidated financial statements on pages 35 to 107 were approved and authorised for issue by the Board of Directors on 28th March 2014 and are signed on its behalf by:

Liu Xueyi
DIRECTOR

Han Hong
DIRECTOR

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2013

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Convertible notes equity reserve** HK$'000	**Translation reserve** HK$'000	**Special reserve (Note)** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Attributable to non-controlling interests** HK$'000	**Total** HK$'000
At 1st January 2012 (originally stated)	139,118	308,392	227,434	–	–	(101,653)	573,291	6	573,297
Merger accounting restatement	–	–	–	(1,739)	–	(58,574)	(60,313)	(25,848)	(86,161)
At 1st January 2012 (restated)	139,118	308,392	227,434	(1,739)	–	(160,227)	512,978	(25,842)	487,136
Loss for the year	–	–	–	–	–	(14,860)	(14,860)	(2,260)	(17,120)
Other comprehensive expense	–	–	–	(8,663)	–	–	(8,663)	(3,713)	(12,376)
Total comprehensive expense	–	–	–	(8,663)	–	(14,860)	(23,523)	(5,973)	(29,496)
Issue of new shares	80,000	400,000	–	–	–	–	480,000	–	480,000
At 31st December 2012 and 1st January 2013 (restated)	219,118	708,392	227,434	(10,402)	–	(175,087)	969,455	(31,815)	937,640
Loss for the year	–	–	–	–	–	(216,844)	(216,844)	(55,375)	(272,219)
Other comprehensive expense	–	–	–	(14,175)	–	–	(14,175)	(6,161)	(20,336)
Total comprehensive expense	–	–	–	(14,175)	–	(216,844)	(231,019)	(61,536)	(292,555)
Acquisition of subsidiaries under common control	–	–	–	–	(25,391)	–	(25,391)	–	(25,391)
Issue of convertible notes	–	–	13,622	–	–	–	13,622	–	13,622
Redemption of convertible notes	–	–	(2,227)	–	–	–	(2,227)	–	(2,227)
Acquisition of non-controlling interest (note 29)	–	–	–	–	–	32	32	(32)	–
At 31st December 2013	219,118	708,392	238,829	(24,577)	(25,391)	(391,899)	724,472	(93,383)	631,089

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

Consolidated Statement of Cash Flows

For the year ended 31st December 2013

	Notes	2013 HK$'000	2012 HK$'000 (restated)
OPERATING ACTIVITIES			
Loss before taxation		**(272,219)**	(17,120)
Adjustments for:			
Depreciation	17	**25,286**	17,049
Changes in fair value of biological assets	18	**32,663**	(60,348)
Changes in fair value of other financial liabilities	26	**5,288**	–
Amortisation of intangible assets	9	**21,150**	21,150
Impairment loss on ethanol business	9	**146,431**	–
Loss on disposal of property, plant and equipment		**25**	1,290
Interest income		**(2,072)**	(1,690)
Finance cost		**95,105**	87,243
Operating cash flows before movements in working capital		**51,657**	47,574
Decrease (increase) in inventories		**10,727**	(97,713)
(Increase) decrease in trade and other receivables		**(86,893)**	39,790
(Decrease) increase in trade and other payables		**(138,825)**	94,162
Biological assets		**(54,129)**	20,302
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES		**(217,463)**	104,115
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**17**	–
Interest received		**2,072**	1,690
Net cash outflow on acquisition of subsidiaries		**(25,391)**	–
Payments for property, plant and equipment		**(227,587)**	(127,747)
NET CASH USED IN INVESTING ACTIVITIES		**(250,889)**	(126,057)
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**–**	480,000
Payment for redemption of convertible notes		**(75,000)**	–
Proceeds from issue of convertible notes		**45,750**	–
Interest paid		**(42,545)**	(38,947)
(Repayment of) proceeds from non-controlling interests		**(10,739)**	59,548
Proceeds from new loan		**–**	79,446
Repayment of bank loan		**(63,059)**	(8,566)
NET CASH (USED IN) GENERATED BY FINANCING ACTIVITIES		**(145,593)**	571,481
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(613,945)**	549,539
CASH AND CASH EQUIVALENTS AT 1st JANUARY		**949,134**	397,194
EFFECT OF CHANGE IN EXCHANGE RATES		**(3,443)**	2,401
CASH AND CASH EQUIVALENTS AT 31st DECEMBER		**331,746**	949,134
CASH AND CASH EQUIVALENTS REPRESENT:			
Current bank and cash		**241,313**	930,781
Short-term fixed deposits		**87,300**	16,610
Pledged deposit for bank guarantee facility		**3,133**	1,743
		331,746	949,134

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding Company is China Complant and its ultimate parent Company is SDIC, both are state-owned corporation registered in the People's Republic of China. Its registered office is at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies and its principal place of business in Hong Kong is at Unit 2513A, 25th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35.

The consolidated financial statements are presented in Hong Kong dollars, which is considered as the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied for the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 1	Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for as described below, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the financial statements *(Continued)*

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

As the Group does not have any offsetting arrangements or any master netting agreements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the financial statements *(Continued)*

Impact of the application of HKFRS 10 (Continued)

The directors are of the opinion that the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

As the Group does not have any interests in joint ventures, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in these consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements. The directors conclude that the adoption of HKFRS 12 has no material impact on the Group's financial position and performance.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the financial statements *(Continued)*

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 7c for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the '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 income 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.2 New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosure for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HK(IFRIC) – Int 21	Levies[1]

1. Effective for annual periods beginning on or after 1st January 2014, with earlier application permitted
2. Effective for annual periods beginning on or after 1st July 2014, with earlier application permitted
3. Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4. Effective for annual periods beginning on or after 1st July 2014, with limited exceptions
5. Effective for annual periods beginning on or after 1st January 2016

The directors of the Company anticipate that, except as described below, the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

HKFRS 9 financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

2.2 New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 9 financial instruments (Continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments to HKAS 36 remove the requirements to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Group is in the process of making an assessment of the potential impact of these standards, amendments or interpretations but the directors of the Company are not yet in a position to conclude the impact on the results and the financial position of the Group.

3. Merger Accounting and Restatement

On 15th August 2011, China Complant, the controlling shareholder of the Company through its 100% indirect subsidiary of Joyful Right Limited, a direct subsidiary of COMPLANT nominated its indirect wholly subsidiary, PCSC, 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 an joint venture agreement pursuant to which, the Company 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.

The consolidated 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 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 as both the combining entity and the combined entity are controlled by the controlling shareholder.

The consolidated statements of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31st December 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 consolidated statements of financial position of the Group as at 31st December 2013 and 2012 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 consolidated statement of financial position as at 31st December 2012, the consolidated statement of profit or loss and the consolidated statement of cash flows for the year ended 31st December 2012.

3. Merger Accounting and Restatement *(Continued)*

Consolidated statement of financial position

At 31st December 2012

	As previously reported HK$'000	Merger accounting restatement HK$'000 (Note)	As restated HK$'000
Non-current assets			
Property, plant and equipment	273	190,244	190,517
Biological assets – cane roots	–	27,275	27,275
Goodwill	226,511	–	226,511
Intangible asset	341,925	–	341,925
	568,709	217,519	786,228
Current assets			
Biological assets – growing cane	–	92,618	92,618
Inventories	–	143,057	143,057
Trade and other receivables	220,406	25,400	245,806
Bank balances and cash	876,908	72,226	949,134
	1,097,314	333,301	1,430,615
Current liabilities			
Trade and other payables	36,665	264,883	301,548
Short-term loan	–	67,360	67,360
	36,665	332,243	368,908
Net current assets	1,060,649	1,058	1,061,707
Total assets less current liabilities	1,629,358	218,577	1,847,935
Non-current liabilities			
Convertible notes	585,559	–	585,559
Amounts due to non-controlling interests	–	324,736	324,736
	585,559	324,736	910,295
Net assets (liabilities)	1,043,799	(106,159)	937,640
Capital and reserves			
Share capital	219,118	–	219,118
Reserves	824,649	(74,312)	750,337
Equity attributable to owners of the Company	1,043,767	(74,312)	969,455
Non-controlling interests	32	(31,847)	(31,815)
Total equity (Capital deficiency)	1,043,799	(106,159)	937,640

3. Merger Accounting and Restatement *(Continued)*

Consolidated statement of profit or loss

For the year ended 31st December 2012

	As previously reported HK$'000	Merger accounting restatement HK$'000 (Note)	As restated HK$'000
Turnover	206,182	443,356	649,538
Cost of sales	(107,758)	(429,266)	(537,024)
Gross profit	98,424	14,090	112,514
Changes in fair value of biological assets	–	60,348	60,348
Other income	1,086	12,535	13,621
Administrative expenses	(39,563)	(55,647)	(95,210)
Other expenses	(21,150)	–	(21,150)
Profit from operations	38,797	31,326	70,123
Finance costs	(48,295)	(38,948)	(87,243)
Loss before tax	(9,498)	(7,622)	(17,120)
Income tax expense	–	–	–
Loss for the year	(9,498)	(7,622)	(17,120)

3. Merger Accounting and Restatement *(Continued)*

Consolidated statement of cash flows

For the year ended 31st December 2012

	As previously reported HK$'000	Merger accounting restatement HK$'000	As restated HK$'000
OPERATING ACTIVITIES			
Loss before taxation	(9,498)	(7,622)	(17,120)
Adjustments for:			
Depreciation	167	16,882	17,049
Changes in fair value of biological assets	–	(60,348)	(60,348)
Amortisation of intangible assets	21,150	–	21,150
Loss on disposal of property, plant and equipment	–	1,290	1,290
Interest income	(1,086)	(604)	(1,690)
Finance cost	48,295	38,948	87,243
Operating cash flows before movements in working capital	59,028	(11,454)	47,574
Increase in inventories	–	(97,713)	(97,713)
Decrease in trade and other receivables	29,789	10,001	39,790
(Decrease) increase in trade and other payables	(66,460)	160,622	94,162
Biological assets	–	20,302	20,302
NET CASH GENERATED BY OPERATING ACTIVITIES	22,357	81,758	104,115
INVESTING ACTIVITIES			
Interest received	1,086	604	1,690
Payments for property, plant and equipment	(245)	(127,502)	(127,747)
NET CASH GENERATED BY (USED IN) INVESTING ACTIVITIES	841	(126,898)	(126,057)
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares	480,000	–	480,000
Interest paid	–	(38,947)	(38,947)
Proceeds from non-controlling interests	–	59,548	59,548
Proceeds from new loan	–	79,446	79,446
Repayment of bank loan	–	(8,566)	(8,566)
NET CASH GENERATED BY FINANCING ACTIVITIES	480,000	91,481	571,481
NET INCREASE IN CASH AND CASH EQUIVALENTS	503,198	46,341	549,539
CASH AND CASH EQUIVALENTS AT 1st JANUARY	373,710	23,484	397,194
EFFECT OF CHANGE IN EXCHANGE RATES	–	2,401	2,401
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	876,908	72,226	949,134
CASH AND CASH EQUIVALENTS REPRESENT:			
Current bank and cash	876,908	53,873	930,781
Short-term fixed deposits	–	16,610	16,610
Pledged deposit for bank guarantee facility	–	1,743	1,743
	876,908	72,226	949,134

Note: The above merger accounting restatement includes adjustment to eliminate the share capital of the combining entities against the investment cost. The difference has been made to the merger reserve in the consolidated financial statements. No other significant adjustments were made to the net assets and net profit or loss of any entities or businesses as a result of the common control combination to achieve consistency of accounting policies.

4. Significant Accounting Policies

Statement of compliance

The consolidated financial statements have been prepared under the historical cost convention and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination involving entities under common control

For business combination involving entities under common control, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

4. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Business combination involving entities under common control (Continued)

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category in of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- deferred tax assets or liabilities, assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

4. Significant Accounting Policies *(Continued)*

Business Combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRSs.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 consolidated statement of profit or loss. Growing cane will be written off in the period the sugar production is expected to generate revenue.

4. Significant Accounting Policies *(Continued)*

Biological assets *(Continued)*

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.

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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Turnover

Turnover represents the net amounts received and receivable for goods supplied to outside customers, less returns and discounts during the year.

Revenue recognition

Revenue from the sale of goods is recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Leasing

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

4. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. Significant Accounting Policies *(Continued)*

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Related parties

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

(1) has control or joint control over the group;

(2) has significant influence over the group; or

(3) is a member of the key management personnel of the group or the group's parent.

(ii) An entity is related to the group if any of the following conditions applies:

(1) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4. Significant Accounting Policies *(Continued)*

Retirement benefit costs

Payments to state managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are charged as expenses when they fall due.

Share-based payment transactions

Share options granted to employees in an equity-settled share-based payment transaction

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revised its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to a share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods and services or for administrative purposes, and factory machinery and equipment are stated in the consolidated financial statements at cost, being the fair value less any subsequent accumulated depreciation. Other property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment when the cost is incurred, if the recognition criteria are met.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost over their estimated useful lives:

Factories, office buildings and residential housing	5%
Furniture, fixtures and fittings	10%-25%
Computer equipment	25%
Plant, machinery and equipment	10%
Motor vehicles	25%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

Construction-in-progress

Construction-in-progress represents plant and other property, machinery and equipment under construction and is stated at cost. This includes the costs of construction and the costs of plant and machinery during the period of construction. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policies as stated above.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets acquired in a business combination consist of customer relationship and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. Significant Accounting Policies *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

Recovering amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit and loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

(1) Financial assets

The Group's financial assets include loans and receivables.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

(1) Financial assets (Continued)

Impairment of financial assets *(Continued)*

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(2) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

(2) *Financial liabilities and equity instruments (Continued)*

Convertible notes that contains liability component, conversion option derivative and early redemption option derivatives

Convertible notes issued by the Company that contain both liability and embedded derivatives (conversion option and early redemption option which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and embedded derivatives are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

The embedded derivatives are remeasured at their fair value immediately prior to the date of redemption or conversion of the convertible notes with changes in fair value being recognised in profit or loss. For redemption of convertible notes, the resulting gain or loss (calculated at the difference between the redemption amount paid and the carrying amount of the convertible notes, being the aggregate amount of the liability component, conversion option derivative and early redemption option derivative) is recognised in profit or loss. For conversion of convertible notes, the carrying amount of the convertible notes is transferred to equity with the resulting shares issued being recorded as additional share capital at nominal value of the shares and the excess of the carrying amount of the convertible notes over the nominal value of the shares being recorded in share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and embedded derivatives in proportion to their relative fair values. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including bank and other borrowings, trade payables and others are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

(3) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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

Critical judgements in applying accounting policies *(Continued)*

(a) Fair values of biological assets

Management estimates the fair values of biological assets less costs to sell at the end of the reporting period with reference to key inputs including the estimated market prices and estimated yield. These inputs involved critical estimate because there is presently an absence of effective financial instruments for hedging against the pricing risks from the unexpected volatility in market prices and the estimated yield is also strongly affected by the usual agricultural hazards like fire and other natural occurrences like hurricane and the forces of nature like drought. At 31st December 2013, the fair value of the Group's cane root and growing cane has been determined by independent valuation firm. As at 31st December 2012, the Group internally valued the biological assets using methodology consistent with the valuation done by the independent valuers as at 31st December 2011.

(b) Depreciation

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

(c) Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

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

Critical judgements in applying accounting policies *(Continued)*

(e) Impairment of intangible assets

The management of the Group reviews its intangible assets at the end of each reporting period for any indication that the intangible assets may be impaired if its carrying amount may be in excess of the greater of its net selling price and its value in use. The value in use means the discounted present value of the future cash flows expected to arise from the continuing use of the intangible assets and from its disposal at the end of its useful life.

(f) Impairment loss on ethanol business

Zheng Da, an indirect subsidiary of the Company) entered into the cooperation agreement with the Government of Benin (the "Benin Government") for a project on the ethanol biofuel business in Benin on 3rd October 2011 (the "Cooperation Agreement"). Pursuant to the Cooperation Agreement, the Benin Government conditionally agreed to lease 4,800 hectare of land at annual rental of XOF 11,875 (approximately HK$185) per hectare for the cultivation of cassava and/or sugar cane for the project of the production of bioethanol in Benin. However, Benin Government failed to grant the leased land to CBB, a subsidiary of Zheng Da) during the year ended 31st December 2013 because Benin Government encountered difficulties in recovering the relevant land from the cacique of tribe and farmers and the land recovery action has led to disturbance events, which fall within the scope of the force majeure provision under the Cooperation Agreement. The Board expects that the Benin Government will not be able to execute the leased land provision in the Cooperation Agreement and the leased land will not be available for CBB for cultivation of cassava and/or sugar cane to supply raw materials of its production of bioethanol.

The management of the Group expect that the reduction in production would cause output to fall below the break-even point and combined with the unlikelihood to have compensation from Benin Government, there is the need of impairment assessment. Based on an asset valuation report prepared by market data and data from comparable companies in Benin and the discount rate calculated by an independent valuation firm, the management forecasts a significant decline in the long-term profitability of the asset and the recoverable amount of the ethanol biofuel business in Benin.

(g) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The board of directors of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments disclosed in Note 7(c) in the determination of the fair value of various assets and liabilities.

6. Capital Risk Management

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

During year 2013, the Group's strategy remained unchanged. The Group monitors capital risk on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equities.

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

	2013 **HK$'000**	2012 HK$'000
Total borrowings	**597,475**	652,919
Total equity	**724,472**	969,455
Total borrowings to total equity ratio	**82.5%**	67.3%

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 owners of the Company of approximately HK$216.8 million.

7. Financial Instruments

7a. Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Trade and other receivables	**329,675**	245,806
Bank balances and cash	**331,746**	949,134
	661,421	1,194,940
Financial liabilities		
Trade and other payables	**131,185**	301,548
Short-term loan	**–**	67,360
Other financial liabilities	**5,288**	–
Convertible notes	**597,475**	585,559
Amounts due to non-controlling interests	**313,997**	324,736
	1,047,945	1,279,203

7. Financial Instruments *(Continued)*

7b. Financial Risk Management Objectives and Policies

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

Credit risk

As at 31st December 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate provision for impairment are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on trade receivables as 35.5% (2012: 42.7%) and 99.45% (2012: 100.0%) of the total trade receivables was due from the Group's largest customer and the total of the five largest customers respectively. The Group's concentration of credit risk by geographical locations is mainly in African countries, which accounted for 98.8% of the total trade receivables as at 31st December 2013 (31st December 2012: 97.6%).

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

7. Financial Instruments *(Continued)*

7b. Financial Risk Management Objectives and Policies *(Continued)*

Liquidity risk

Liquidity of the Group is primarily dependent on its ability to maintain adequate cash flow from operations to meet its debt obligations as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity profiles of the Group's financial liabilities as at 31st December 2013 and 2012 are as follows:

	Weighted average effective interest rate %	**Less than 1 year HK$'000**	**1-2 years HK$'000**	**2-5 years HK$'000**	**More than 5 years HK$'000**	**Carrying amount at 31.12.2013 HK$'000**
2013						
Trade and other payables	**N/A**	**131,185**	**–**	**–**	**–**	**131,185**
Convertible notes	**8.9%**	**–**	**–**	**52,905**	**544,570**	**597,475**
Amounts due to non-controlling interests	**N/A**	**–**	**–**	**–**	**313,997**	**313,997**
		131,185	**–**	**52,905**	**858,567**	**1,042,657**

	Weighted average effective interest rate %	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Carrying amount at 31.12.2012 HK$'000
2012						
Trade and other payables	N/A	301,548	–	–	–	301,548
Short-term loan	3.95%	67,360	–	–	–	67,360
Convertible notes	9.0%	–	567,410	18,149	–	585,559
Amounts due to non-controlling interests	6.5%	–	–	324,736	–	324,736
		368,908	567,410	342,885	–	1,279,203

7. Financial Instruments *(Continued)*

7b. Financial Risk Management Objectives and Policies *(Continued)*

Market risk

(i) Currency risk

Foreign currency risk management

The transactions of the Group's principal subsidiaries are denominated and settled in its respective functional currency. The management will consider using foreign exchange forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

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

	2013	2012
	HK$'000	HK$'000
Monetary Assets		
USD	**554,222**	435,640
European dollar ("EUR")	**771**	–
British Pound Sterling ("GBP")	**623**	578
J$	**31,983**	41,489
XOF	**7,441**	–
Monetary Liabilities		
USD	**396,859**	639,219
EUR	**–**	–
GBP	**2**	–
J$	**26,523**	32,891
XOF	**732**	–

7. Financial Instruments *(Continued)*

7b. Financial Risk Management Objectives and Policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

Foreign currency risk management *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currency monetary assets and liabilities. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2012: 5%) change in foreign currency rates. A negative number below indicates an increase in post-tax loss for the year where the functional currency of the relevant group entity strengthen 5% (2012: 5%) against the relevant foreign currency. For a 5% (2012: 5%) weakening of the functional currency of the relevant group entity against the relevant foreign currency, there would be an equal and opposite impact on pre-tax loss for the year.

	USD impact		**EUR impact**		**GBP impact**		**J$ impact**		**XOF impact**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sensitivity rate	**5%**	5%	**5%**	5%	**5%**	5%	**5%**	5%	**5%**	5%
Profit or loss	**7,868**	10,179	**39**	–	**31**	29	**273**	430	**235**	–

The above impacts are mainly attributable to the exposure outstanding on receivables, payables, borrowings and bank balances in the respective foreign currency at year end.

(ii) Interest rate risk

The Group's bank balances and amounts due to non-controlling interests carry floating-rate of interests and have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. However, the directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risks should the needs arise.

Sensitivity analysis

As at 31st December 2013 and 2012, if interest rate on borrowing has been 5% higher/lower with all other variable held constant, loss for the current year and loss for the prior year would increase/decrease by approximately HK$464,000 (2012: increase/decrease by approximately HK$1,305,000).

Other price risk

The Group is not exposed to any equity securities risk or commodity price risk.

7. Financial Instruments *(Continued)*

7b. Financial Risk Management Objectives and Policies *(Continued)*

Environmental and climate change risk

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

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

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

7c. Fair value measurement

(i) Financial instruments carried at fair value

Fair value hierarchy

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

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

7. Financial Instruments *(Continued)*

7c. Fair value measurement *(Continued)*

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

Fair value hierarchy *(Continued)*

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

	Fair value at 31st December 2013	Fair value measurements as at 31st December 2013 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Other financial liabilities	**5,288**	–	–	5,288

During the year ended 31st December 2013 and 2012, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the balance sheet date in which they occur.

Information about Level 3 fair value measurements.

	Valuation techniques	**Significant unobservable inputs**	**Expected volatility**
Other financial liabilities	Binomial model	Expected volatility	51.93% to 53.35%

The fair value of other financial liability is determined using binomial model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is negatively correlated to the expected volatility. As at 31st December 2013, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 1% would have decreased/increased the Group's loss by HK$53,000 (2012: nil).

7. Financial Instruments *(Continued)*

7c. Fair value measurement *(Continued)*

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

Fair value hierarchy *(Continued)*

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

	2013 **HK$'000**	2012 HK$'000
Other financial liabilities:		
At 1st January	**–**	–
Changes in fair value recognised in profit or loss during the year	**5,288**	–
At 31st December	**5,288**	–

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

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

In respect of borrowings, the carrying amounts are not materially different from their fair values as at 31st December 2012. The fair values of borrowings are estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

The aggregate carrying values of other financial liabilities carried on the consolidated statement of financial position are not materially different from their fair values as at 31st December 2013.

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

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input;
- the fair value of derivative instruments is determined based on models set out in Note 26; and
- the fair value of biological assets is determined based on models set out in Note 18.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

8. Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments 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").

(a) Segment turnover and results

	Supporting services		Sugar business		Ethanol business		Total	
	2013 HK$'000	2012 HK$'000 (restated)	**2013 HK$'000**	2012 HK$'000 (restated)	**2013 HK$'000**	2012 HK$'000 (restated)	**2013 HK$'000**	2012 HK$'000 (restated)
Total reportable segment turnover	**431,716**	206,182	**351,673**	443,356	**–**	–	**783,389**	649,538
Inter-segment revenue	**(221,515)**	–	**–**	–	**–**	–	**(221,515)**	–
Reportable segment turnover from external customers	**210,201**	206,182	**351,673**	443,356	**–**	–	**561,874**	649,538
Total reportable segment (loss) or profit from operations	**73,776**	45,537	**(84,893)**	30,816	**(149,692)**	–	**(160,809)**	76,353
Elimination of inter-segment profits	**(7,570)**	–	**–**	–	**–**	–	**(7,570)**	–
Reportable segment (loss) or profit from external customers	**66,206**	45,537	**(84,893)**	30,816	**(149,692)**	–	**(168,379)**	76,353

Sales between segments are carried out at arm's length. The revenue from external parties reported to the board of directors, the chief operating decision maker of the Group, is measured in a manner consistent with that in the consolidated statement of profit or loss.

8. Segment Information *(Continued)*

(b) Reconciliation of reportable segment profit or loss

	2013 HK$'000	2012 HK$'000 (restated)
Total (loss) or profit for reportable segments from external customers	**(168,379)**	76,353
Profit or (loss) before tax for other business activities and operating segments	**–**	–
	(168,379)	76,353
Unallocated corporate expenses	**(8,735)**	(6,230)
Finance costs	**(95,105)**	(87,243)
Loss before tax	**(272,219)**	(17,120)

(c) Reportable segment assets and liabilities

	Supporting services		Sugar business		Ethanol business		Unallocated		Total	
	2013 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2012 HK$'000 (restated)
Reportable segment assets	**791,402**	723,927	**552,873**	550,820	**50,860**	–	**283,899**	942,096	**1,679,034**	2,216,843
Reportable segment liabilities	**98,284**	34,523	**30,705**	332,243	**732**	–	**918,224**	912,437	**1,047,945**	1,279,203

(d) Other reportable segment information

	Depreciation and amortisation		Additions to non-current assets		Impairment loss on non-current assets	
	2013 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2012 HK$'000 (restated)	2013 HK$'000	2012 HK$'000 (restated)
Supporting services	**21,285**	21,317	**80**	245	**–**	–
Sugar business	**25,121**	16,882	**45,307**	127,502	**–**	–
Ethanol business	**30**	–	**182,200**	–	**145,804**	–
	46,436	38,199	**227,587**	127,747	**145,804**	–

8. Segment Information *(Continued)*

(e) Geographic Information

Revenue from external customers

	2013 HK$'000	2012 HK$'000 (restated)
African countries	210,201	206,182
Jamaica	215,958	443,356
European countries	135,715	–
	561,874	649,538

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

Non-current assets

	2013 HK$'000	2012 HK$'000 (restated)
African countries	43,211	–
Jamaica	186,409	190,244
The People's Republic of China	217	273
	229,837	190,517

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

(f) Information about major customers

	2013 HK$'000	2012 HK$'000 (restated)
Customer A[1]	135,715	N/A[3]
Customer B[1]	105,227	N/A[3]
Customer C[1]	N/A[3]	409,939
Customer D[2]	87,004	87,892
Customer E[2]	56,434	N/A[3]

Notes:

1 Turnover from sugar business. The change was brought by parting from the pooling marketing system and directly selling its own products in year 2013.

2 Turnover from supporting services.

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

9. Other Expenses

	2013 HK$'000	2012 HK$'000 (restated)
Amortisation of intangible assets	**21,150**	21,150
Impairment loss on ethanol business (Note)	**146,431**	–
	167,581	21,150

Note: As described in Note 5(f), the expected reduction in production output below the break-even point combined with the unlikelihood to have compensation from Benin Government indicated the need of impairment assessment. Based on an asset valuation report prepared by market data from comparable companies in Benin and the discount rate calculated by an independent valuation firm, there was a significant decline in the long-term profitability of the asset and hence a reduction in the recoverable amount of the value in use of the ethanol biofuel business in Benin was estimated to be decreased to approximately XOF 2,184,000,000 (approximately HK$35,577,000). The Group made a provision for the total impairment loss on the ethanol business of approximately XOF 8,989,000,000 (approximately HK$146,431,000), being approximately XOF 8,950,000,000 (approximately HK$145,804,000) for the construction in progress and approximately XOF 39,000,000 (approximately HK$627,000) for the inventories.

10. Finance Costs

	2013 HK$'000	2012 HK$'000 (restated)
Interest expense:		
– Convertible notes wholly repayable within five years	**52,561**	48,295
– Other borrowings not wholly repayable within five years	**9,279**	25,576
– Bank borrowings wholly repayable within five years	**–**	515
Net foreign exchange losses on financing activities	**33,265**	12,857
	95,105	87,243

11. Loss for the Year

	2013 **HK$'000**	2012 HK$'000 (restated)
Loss for the year has been arrived at after charging:		
Directors' remunerations (note 12)	**495**	1,792
Retirement benefits scheme contributions	**3,437**	3,062
Other staff costs	**76,119**	96,544
Total employee benefits expenses	**80,051**	101,398
Auditor's remuneration	**500**	380
Changes in fair value of other financial liabilities	**5,288**	–
Depreciation of property, plant and equipment	**25,286**	17,049
Loss on disposal of property, plant and equipment	**25**	1,290
Cost of inventories recognised as an expenses	**453,903**	537,024
and after crediting:		
Interest income	**2,072**	1,690

12. Directors' Remunerations

The emoluments paid or payable to each of the six (2012: seven) directors were as follows:

	Fees HK$'000	Basic salaries and allowances HK$'000	Performance bonus HK$'000	Retirement benefits scheme contributions HK$'000	**2013** **Total emoluments** **HK$'000**	2012 Total emoluments HK$'000
Executive Directors						
Liu Xueyi (Note e)	–	–	–	–	**–**	–
Han Hong	–	114	84	17	**215**	924
Hu Yebi	120	–	–	–	**120**	120
Hu Zhirong (Note e)	–	–	–	–	**–**	–
Wang Zhaohui (Note e)	–	–	–	–	**–**	–
Tang Jianguo (Note c)	–	–	–	–	**–**	–
Xiao Longlong (Note d)	–	–	–	–	**–**	588
Independent Non-executive Directors						
Zheng Liu	100	–	–	–	**100**	100
Yu Chi Jui	30	–	–	–	**30**	30
Li Xiao Wei	30	–	–	–	**30**	30
	280	114	84	17	**495**	1,792

12. Directors' Remunerations *(Continued)*

The emoluments paid or payable to each of the six (2012: seven) directors were as follows: *(Continued)*

Notes:

a. In the two years ended 31st December 2013 and 2012, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the two years.

b. The performance bonus is payable to employees, including Mr. Han Hong who is the director and deputy general manager of SATT and Mr. Xiao Longlong, who is the past general manager of SATT, the amount payable in the two years ended 31st December 2013 and 2012 tied to certain performance indicators of that company.

c. Resigned on 21st January 2014

d. Resigned on 21st December 2012

e. Appointed on 21st January 2014

13. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, none (2012: one) was executive director of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining five (2012: four) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries and allowances	**3,338**	1,814
Performance bonus (Note 12(b))	**214**	1,490
Retirement benefits scheme contributions	**87**	142
	3,639	3,446

Their emoluments were within the following bands:

	2013 Number of employees	2012 Number of employees
HK$nil to HK$1,000,000	**5**	4
HK$1,000,001 to HK$2,000,000	**–**	–
	5	4

14. Income Tax Expense

No provision for income tax expenses had been made as the Company and subsidiaries have no assessable profits in their jurisdictions for the two years ended 31st December 2013 and 2012 and no material unprovided deferred tax at the end of reporting period 2013 and 2012.

Hong Kong Profits Tax is at 16.5% on assessable profits for both years.

Jamaica Corporate Income Tax is 30% on assessable profits for both years arising in Jamaica. The Government of Jamaica, through the Ministry of Finance and Public Services, granted the group company a 20 year period of relief from corporate income tax effective on the commencement of operations, with the option to apply for a renewal.

Benin Standard Corporate Income Tax rate is 30% for both years. CBB is eligible to apply for tax holiday later with local government when certain conditions are met.

15. Dividend

The Board does not recommend the payment of a dividend for the years ended 31st December 2013 and 2012.

16. Loss Per Share

The calculation of basic loss per share is based on the consolidated loss for the year attributable to owners of the Company of approximately HK$216,844,000 (2012: approximately HK$14,860,000), and the weighted average number of 2,191,180,000 (2012: 1,652,002,000) ordinary shares in issue during the year.

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

	2013 HK$'000	2012 HK$'000 (restated)
(Loss)/earnings		
Loss for the purpose of basic loss per share	**(216,844)**	(14,860)
Effect of dilutive potential ordinary share:		
Interest on convertible notes	**52,561**	48,295
(Loss)/earnings for the purpose of diluted (loss)/ earnings per share	**(164,283)**	33,435

	2013 '000	2012 '000
Number of Shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,191,180**	1,652,002
Effect of dilutive potential ordinary shares:		
Convertible notes	**1,035,750**	1,084,500
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,226,930**	2,736,502

The diluted (loss)/earnings per share for the year ended 31st December 2013 and 2012 are the same as basic loss per share presented as there was no dilutive effect from the assumed exercise of conversion of the Company's outstanding convertible notes on the (loss)/earnings attributable to owners of the Company.

17. Property, Plant and Equipment

	Freehold Land HK$'000	Buildings HK$'000	Furniture and Equipment HK$'000	Computer HK$'000	Plant and Machinery HK$'000	Motor Vehicles HK$'000	Assets in Transit HK$'000	Construction in Progress HK$'000	Total HK$'000
COST									
At 1st January 2012	3,003	23,837	1,042	255	47,655	5,845	14,226	–	95,863
Exchange realignment	(202)	(1,677)	(65)	(23)	(8,512)	(2,530)	(192)	(121)	(13,322)
Additions	–	1,304	761	108	97,459	25,908	–	2,207	127,747
Transfer	–	–	–	–	887	13,147	(14,034)	–	–
Disposals	–	–	–	–	(1,412)	–	–	–	(1,412)
At 31st December 2012	2,801	23,464	1,738	340	136,077	42,370	–	2,086	208,876
Exchange realignment	(333)	(2,808)	(153)	(55)	(17,780)	(5,070)	–	5,449	(20,750)
Additions	–	68	970	249	24,141	2,573	–	199,586	227,587
Transfer	–	186	(186)	–	1,807	(1,807)	–	–	–
Disposals	–	–	–	–	–	(54)	–	–	(54)
At 31st December 2013	2,468	20,910	2,369	534	144,245	38,012	–	207,121	415,659
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT									
At 1st January 2012	–	470	310	15	1,588	114	–	–	2,497
Exchange realignment	–	(99)	(5)	(5)	(575)	(381)	–	–	(1,065)
Provided for the year	–	1,222	233	74	8,817	6,703	–	–	17,049
Transfer	–	–	–	–	(132)	132	–	–	–
Eliminated on disposal	–	–	–	–	(122)	–	–	–	(122)
At 31st December 2012	–	1,593	538	84	9,576	6,568	–	–	18,359
Exchange realignment	–	(254)	(14)	(17)	(2,047)	(1,283)	–	–	(3,615)
Provided for the year	–	1,095	233	123	14,996	8,839	–	–	25,286
Transfer	–	4	–	(4)	295	(295)	–	–	–
Eliminated on disposal	–	–	–	–	–	(12)	–	–	(12)
Impairment loss recognised	–	–	–	–	–	–	–	145,804	145,804
At 31st December 2013	–	2,438	757	186	22,820	13,817	–	145,804	185,822
CARRYING AMOUNT									
At 31st December 2013	2,468	18,472	1,612	348	121,425	24,195	–	61,317	229,837
At 31st December 2012	2,801	21,871	1,200	256	126,501	35,802	–	2,086	190,517

18. Biological Assets

(a) Cane Roots

	2013 **HK$'000**	2012 HK$'000 (restated)
Opening balance	**27,275**	17,399
Exchange realignment	**(3,458)**	(1,812)
Land preparation and cane plantation costs capitalised	**28,428**	28,282
Changes in fair value	**(24,850)**	(16,594)
Carrying amount at end of the year	**27,395**	27,275

	2013	2012
Area, in hectares, under cane in Jamaica:		
Frome Estate	**3,920**	3,954
Monymusk Estate	**3,058**	3,225
Bernard Lodge Estate	**1,780**	2,104
	8,758	9,283

The average remaining expected life of cane roots is 3.08 (2012: 2.56), 3.42 (2012: 3.18) and 4.11 (2012: 3.74) years for the Frome, Monymusk and Bernard Lodge Estates respectively.

(b) Growing Cane

	2013 **HK$'000**	2012 HK$'000 (restated)
Opening balance	**92,618**	70,567
Exchange realignment	**(12,082)**	(6,307)
Cane cultivation cost capitalised	**145,118**	157,504
Decrease in fair value of cane harvested	**(119,417)**	(206,088)
Changes in fair value	**(7,813)**	76,942
Carrying amount at end of the year	**98,424**	92,618

The decrease in fair value of cane roots and growing cane for the year ended of approximately HK$32,663,000 (2012: an increase in fair value of cane roots and growing cane of approximately HK$60,348,000) is reflected in the consolidated statement of profit or loss.

18. Biological Assets *(Continued)*

(c) Valuation Methodology of Biological Assets

This is the first financial year end after the acquisition of JV company completed in April 2013. The Group has engaged BMIA, an independent valuation firm, to determine the fair value of the biological assets of JV Company as at 31st December 2013 (the "Valuation Date"). BMIA possesses extensive experience in biological assets valuation namely tree plantation, forestry, agriculture, livestock, aquaculture and fishery. The director of BMIA handling this valuation also possesses extensive experience in conducting in-depth company & industry research, and financial analyses for valuation purposes and is a Chartered Financial Analyst (CFA) charterholder, a Certified Public Accountant (AICPA) in the United States and is Accredited in Business Valuation (ABV) by the AICPA.

BMIA conducted inspections of the sugar estates, namely Frome Estate, Monymusk Estate and Bernard Lodge Estate and performed sample counts in connection with the valuation.

Frome Estate, Monymusk Estate and Bernard Lodge Estate possessed the relevant permits to carry out agricultural activities at the Valuation Date.

i. Valuation Assumptions

The valuation models require to assess a series of variables, which include the discount rate, market prices of sugar cane, cane yield, planting costs, etc. The values of such variables are determined by the independent valuers using information supplied by the Group, proprietary and third-party data as well as under some assumptions. Major assumptions adopted for valuation are listed below:

- The sugarcane crop is a perennial crop with a one year crop cycle and the crop is reaped exactly one year after planting;
- The sugarcane crop experiences linear growth; and
- The economic life of the sugarcane crop is 7 years.

18. Biological Assets *(Continued)*

(c) Valuation Methodology of Biological Assets *(Continued)*

ii. Valuation Models

The models adopted for the valuation of cane roots and growing cane are stated below:

Valuation model of the cane roots ("VCR")

VCR = A * Y * P * LP * N * DF

Where:
A = Area of cane planted (hectares);
Y = Estimated cane yield at harvest (tonnes/hectare);
P = Price of cane per tonne as at Valuation Date;
LP = A factor advised by an agricultural economist in Sugar Industry Research Institute of the Sugar Industry Authority in Jamaica. It was calculated as the planting cost amortised over 7 years divided by the annual total costs;
N = Number of remaining years that crops could be harvested based on a 7-year plant cycle; and
DF = Discount factor based on 20% discount rate and the remaining life of the cane root.

Valuation model of the growing cane ("VGC")

VGC = ((A * Y * P) – (H * A)) * %L

Where:
A = Area of cane planted (hectares) ;
Y = Estimated cane yield at harvest (tonnes/hectare);
P = Price of cane per tonne as at Valuation Date;
H = Estimated harvesting cost per hectare; and
%L = Percentage maturity of crop between planting as at the Valuation Date

iii. Major inputs

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

1) The discount rate applied for the year ended 31st December 2013 was 20.0% (2012: 20.0%).

18. Biological Assets *(Continued)*

(c) Valuation Methodology of Biological Assets *(Continued)*

iii. Major inputs (Continued)

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

	Bernard Lodge		Monymusk		Frome		Weighted average of all estates	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Estimated yield (tonnes cane/ hectare) (approximately)	**34.5**	46.4	**47.3**	47.3	**57.7**	62.8	**49.4**	53.7

The decrease in 4.3 tonnes per hectare of the estimated weighted average cane yield of all estates was mainly due to unfavourable climate condition which affected the growth of sugar cane in 2013.

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

	Bernard Lodge		Monymusk		Frome		Average of all estates	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Estimated Market price (approximately)	**J$4,900 (HK$380)**	J$4,600 (HK$400)	**J$5,100 (HK$400)**	J$5,200 (HK$460)	**J$4,800 (HK$370)**	J$4,200 (HK$370)	**J$4,900 (HK$380)**	J$4,700 (HK$410)

The increase of approximately J$200 (approximately HK$20) in average estimated selling price of sugar cane which is in line with upward trend of the local inflation.

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

	Bernard Lodge		Monymusk		Frome		Weighted average of all estates	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Weighted average maturity of cane per hectare (approximately)	**87.4%**	58.7%	**84.4%**	64.2%	**74.5%**	62.0%	**80.6%**	62.0%

The increase in 18.6% estimated weighted average percentage of maturity of sugar cane of all estates was due mainly longer growth period during 2013 as a result of harvesting started earlier last year.

18. Biological Assets *(Continued)*

(c) Valuation Methodology of Biological Assets *(Continued)*

iv. Sensitivity analysis

1) Changes in the discount rate applied result in significant fluctuations in the changes in fair value of cane roots and no change in fair value of sugar cane. The following table illustrates the sensitivity of the Group's net change in fair value of cane root and sugar canes to sell to increase or decrease by 100 basis points in the discount rate of 20.0% applied by the independent valuer for the year ended 31st December 2013.

	100 basis point decrease	Base case	100 basis point increase
Net change in fair value of cane roots (approximately)	+J$7.7 million (+HK$0.6 million)	J$374.7million (HK$27.4 million)	-J$7.4 million (-HK$0.5 million)
Net change in fair value of sugar cane (approximately)	–	J$1,346.1 million (HK$98.4 million)	–

2) Changes in the estimated cane yield per hectare can also result in significant fluctuations in the changes in fair value of cane roots and sugar cane. The following table illustrates that sensitivity of the Group's net change in fair value of cane roots and sugar cane to 5.0% increase or decrease in the estimated cane yield applied for the year ended 31st December 2013.

	5% decrease	Base case	5% increase
Net change in fair value of cane roots (approximately)	-J$18.7 million (-HK$1.4 million)	J$374.7million (HK$27.4 million)	+J$18.7 million (+HK$1.4 million)
Net change in fair value of sugar cane (approximately)	-J$83.5 million (-HK$6.3 million)	J$1,346.1 million (HK$98.4 million)	+J$83.5 million (+HK$6.3 million)

3) Changes in the estimated selling price of sugar cane per tonne can also result in significant fluctuations in the changes in fair value of cane roots and sugar cane. The following table illustrates that sensitivity of the Group's net change in fair value of cane roots and sugar cane to 5.0% increase or decrease in the estimated selling price applied for the year ended 31st December 2013.

	5% decrease	Base case	5% increase
Net change in fair value of cane roots (approximately)	-J$18.7 million (-HK$1.4 million)	J$374.7million (HK$27.4 million)	+J$18.7 million (+HK$1.4 million)
Net change in fair value of sugar cane (approximately)	-J$83.5 million (-HK$6.3 million)	J$1,346.1 million (HK$98.4 million)	+J$83.5 million (+HK$6.3 million)

19. Goodwill

	HK$'000
Cost	
At 1st January 2012, 31st December 2012 and 31st December 2013	321,768
Accumulated impairment losses	
At 1st January 2012, 31st December 2012 and 31st December 2013	95,257
Carrying amount	
At 31st December 2012 and 31st December 2013	226,511

Impairment testing for goodwill

The carrying amount of goodwill was attributable to acquisition of the SATT on February 2010. This Goodwill has been allocated for the impairment testing purpose of the cash-generating unit (the "CGU") of supporting services to sweetener and ethanol business. The recoverable amount as at 31st December 2013 of this CGU has been assessed on basis of a valuation report from BMIA, an independent professional company appointed for this purpose. BMIA assessed the value in use basing on cash flow projections of this CGU from financial budget of five years. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 3% and applied a discount factor of 17.19% (2012: 17.01%) per annum in the calculation. The directors determined that no write-down of the carrying value of goodwill on supporting services to sweetener and ethanol business for the year ended 31st December 2013 is considered necessary (2012: Nil).

20. Intangible Asset

Customer relationship	HK$'000
Cost	
At 1st January 2012, 31st December 2012 and 31st December 2013	423,000
Accumulated amortisation	
Balance at 1st January 2012	59,925
Charge for the year	21,150
Balance at 31st December 2012	81,075
Charge for the year	21,150
Balance at 31st December 2013	102,225
Carrying amount	
At 31st December 2013	320,775
At 31st December 2012	341,925

20. Intangible Asset *(Continued)*

The intangible asset of customer relationship was purchased as part of a business combination of SATT in February 2010 and has a definite useful life which is amortised on straight-line basis over the estimated useful life of 20 years. The customer relationship represents the present value of the future cash flow attributed to established customer base and other business relationships built up by SATT in African and other nations. The valuation is valued by BMIA. Excess earnings method is adopted in the valuation of the customer relationship. The excess earnings are the amount of anticipated economic benefits that exceeds the required rates of return on the contributory assets, including the fixed assets, the working capital, the workforce assembled and intangible assets other than the subject asset, used to generate those anticipated economic benefits.

21. Inventories

	2013 **HK$'000**	2012 HK$'000 (restated)
Consumables and components (Note)	**84,923**	104,104
Goods in transit	**9,842**	3,461
Sugar and molasses	**19,906**	35,492
	114,671	143,057

At 31st December 2013, the sugar and molasses consisted of 3,590.86 tonnes (2012: 6,008.17 tonnes) of raw sugar costing J$263,797,000 (2012: J$419,605,000) and 650.53 tonnes (2012: 800.4 tonnes) of molasses costing J$8,454,000 (2012: J$8,004,000).

Note: The Group made a provision for the impairment loss on ethanol business (refer to note 9) that included an impairment for consumables and components of approximately XOF 39,000,000 (approximately HK$627,000).

22. Trade and Other Receivables

	2013 **HK$'000**	2012 HK$'000 (restated)
Trade receivables	**312,432**	226,825
Less: Allowance for doubtful debts	**25,000**	25,000
	287,432	201,825
Other receivables (Note)	**42,243**	43,981
	329,675	245,806

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of approximately HK$287,432,000 (2012: approximately HK$201,825,000) within which of approximately HK$283,893,000 (2012: approximately 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$3,539,000 (2012: approximately 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.

22. Trade and Other Receivables *(Continued)*

The following is an analysis of trade receivables by age from prospective on the invoice date, net of allowance for doubtful debts, which approximates the respective revenue recognition dates.

	2013 HK$'000	2012 HK$'000 (restated)
0-30 days	**39,373**	32,441
31 – 60 days	**74,147**	9,598
61 – 90 days	**33,874**	17,393
91 – 365 days	**57,407**	142,393
> 365 days	**82,631**	–
	287,432	201,825

The following is an analysis of trade receivables by age from prospective on credit period granted to customers, net of allowance for doubtful debts, which is more reflecting the actual aged position.

	2013 HK$'000	2012 HK$'000 (restated)
Not yet due	**204,801**	201,825
Overdue 1 – 90 days	**36,749**	–
Overdue 91 – 180 days	**45,882**	–
Overdue 181 – 365 days	**–**	–
Overdue > 365 days	**–**	–
	287,432	201,825

Trade receivables of approximately HK$82,631,000 were past due as at the year end date for which the Group has not provided for impairment loss due to the subsequent settlement of the overdue balances. The Group does not hold any collateral over these balances.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Movement in the allowance for doubtful debts

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	**25,000**	25,000
Allowance recognised in profit or loss	**–**	–
Balance at end of year	**25,000**	25,000

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the reporting period.

22. Trade and Other Receivables *(Continued)*

Age of impaired trade receivables

	2013 HK$'000	2012 HK$'000
Overdue 1-90 days	–	20,354
Overdue 91-180 days	10,152	3,738
Overdue 181-365 days	14,848	908
Overdue > 365 days	–	–
Balance at end of year	25,000	25,000

Note:

Other receivables as at 31st December 2013 mainly consist prepayments of approximately HK$25,515,000 (2012: approximately HK$23,474,000) for the purchase deposits, approximately HK$4,661,000 (2012: approximately HK$4,546,000) for prepayment of expenses and approximately HK$12,067,000 (2012: approximately HK$15,961,000) various advances to cane transporters, cane farmers and employees as well as expenses refundable from Jamaican government.

23. Bank Balances and Cash

Bank balances carry interest at market rates which range from 0.11% to 3.25% (2012: 0.11% to 3.25%) per annum.

A bank deposit of a subsidiary of approximately J$42.8 million (approximately HK$3.1 million) (2012: approximately J$21.0 million (approximately HK$1.7 million)), was pledged to secure against its bank guarantee of approximately J$40.0 million (approximately HK$2.9 million) in Jamaica during the year ended 31st December 2013 and 2012. The cash collateral account attracts interest at 2.25% per annum to 4.25% per annum for the year ended 31st December 2013 (2012: 4.5% per annum).

24. Trade and Other Payables

	2013 HK$'000	2012 HK$'000 (restated)
Trade payables	98,414	262,716
Accrued liabilities	32,771	38,832
	131,185	301,548

Included in trade and other payables are trade payables of approximately HK$98,414,000 (2012: approximately HK$262,716,000), within which of approximately HK$81,133,000 (2012: approximately 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$17,281,000 (2012: approximately HK$249,513,000) 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.

24. Trade and Other Payables *(Continued)*

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

	2013 HK$'000	2012 HK$'000 (restated)
Not yet due	**94,161**	201,607
Overdue 1-90 days	**1,426**	364
Overdue 91-180 days	**2,827**	–
Overdue 181-365 days	**–**	–
Overdue > 365 days	**–**	60,745
	98,414	262,716

The above trade payables included HK$ nil balance of COMPLANT as at 31st December 2013 (2012: included a trade payable to COMPLANT of approximately HK$230,378,000 (see note 34(b)). The accounts payable to COMPLANT is interest-bearing at 6% per annum for the period up to 12th April 2013 (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 account payables from external suppliers are non-interest-bearing and are normally settled within credit terms of zero to 30 days.

25. Short-term Loan

This represents a US$9,700,000 (approximately HK$75,300,000) loan facility with The Bank of Nova Scotia Jamaica Limited. Interest is paid quarterly at an interest rate of 3.95% per annum. The loan was raised in October 2012 and fully repaid on March 2013 and the balance is HK$ nil as at 31st December 2013 (2012: US$8,700,000 (approximately HK$67,360,000)). The loan is secured by assignment of payment from a customer of a subsidiary in Jamaica by way of an irrecoverable letter of direction.

26. Convertible Notes

	2009-2014 Notes (Note i) HK$'000	**2011-2016 Notes (Note ii)** HK$'000	**2013-2018 Notes (Note iii)** HK$'000	**Total** HK$'000
At 1st January 2012	520,455	16,809	–	537,264
Effective interest expenses	46,955	1,340	–	48,295
At 31st December 2012 and 1st January 2013	567,410	18,149	–	585,559
Proceeds from issue	–	–	45,750	45,750
Equity component	–	–	(13,622)	(13,622)
Liability component at date of issue	–	–	32,128	32,128
Redemption during the year	(72,773)	–	–	(72,773)
Effective interest expenses	49,933	1,444	1,184	52,561
At 31st December 2013	544,570	19,593	33,312	597,475

Notes:

(i) On 27th February 2009, the Company issued two tranches of five-year zero-coupon Hong Kong-dollar convertible notes at par, due in February 2014 (the "2009-2014 Notes"), for an aggregate principal of amount of HK$673,200,000, which is part of the consideration for the acquisition of SATT. The Notes are convertible, at the option of noteholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price of HK$0.6 per share, subject to anti-dilutive adjustment, at any time from 27th February 2009 up to and including 27th February 2014. Up to 31st December 2013, a total principal amount of HK$121,500,000 notes were converted at the request of the noteholders and a principal amount of HK$75,000,000 has been redeemed at the request of a noteholder on 2nd September 2013. The principal amount of approximately HK$551,700,000 (2012: approximately HK$626,700,000) remained outstanding.

26. Convertible Notes *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

The 2009-2014 Notes contain three components, a liability component, an equity element and an embedded put option derivative component at the end of the reporting period. The liability component is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as “Convertible notes equity reserve”. During the year ended 31st December 2013, the effective interest rate of the liability component is 9.0219% (2012: 9.0219%). At 31st December 2013, the liability component of the 2009-2014 Notes with a carrying amount of approximately HK$544,570,000 (2012: approximately HK$567,410,000).

On 17th January 2014, the extension of the maturity date of the 2009-2014 Notes from 27th February 2014 to 27th February 2019 was approved by shareholders.

(ii) On 26th August 2011, the Company issued a five-year zero-coupon Hong Kong-dollar convertible notes at par, due in August 2016 for an aggregate principal amount of HK$24,000,000 to CAXX, a wholly owned subsidiary of CADFund (the “2011-2016 Notes”). The 2011-2016 Notes are convertible, at the option of noteholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price HK$0.6 per share, at any time from 26th August 2011 up to and including 26th August 2016. No conversion was made since its issue.

The 2011-2016 Notes contain three components, a liability component, an equity element and an embedded put option derivative component at the end of the reporting period. The liability component at the date of issue is approximately HK$16,363,000 and is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as “Convertible notes equity reserve”. During the year ended 31st December 2013, the effective interest rate of the liability component is 7.959% (2012: 7.959%). At 31st December 2013, the liability component of the 2011-2016 Notes with a carrying amount of approximately HK$19,593,000 (2012: approximately HK$18,149,000).

(iii) On 27th June 2013, the Company issued a five-year zero-coupon Hong Kong-dollar convertible notes at par, due in June 2018 for an aggregate principal amount of HK$45,750,000 to CAXX (the “2013-2018 Notes”). The Notes are convertible, at the option of noteholders, into ordinary shares of HK$0.10 each of the Company at an initial conversion price HK$0.6 per share, at any time from 27th June 2013 up to and including 26th June 2018. No conversion was made since its issue.

The 2013-2018 Notes contain three components, a liability component, an equity element and an embedded put option derivative component at the end of the reporting period. The liability component at the date of issue is approximately HK$32,128,000 and is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The equity element is presented in equity as “Convertible notes equity reserve”. During the year ended 31st December 2013, the effective interest rate of the liability component is 7.326% (2012: Nil). At 31st December 2013, the liability component of the 2013-2018 Notes with a carrying amount of approximately HK$33,312,000 (2012: HK$ nil).

The other financial liabilities represented the fair value of embedded put option derivative (which entitles the holders to redeem, in whole or in part, the principal sum on any business days prior to their respective maturity date of the 2009-2014 Notes, 2011-2016 Notes and 2013-2018 Notes issued by the Company. Please refer to the section of “Valuation of embedded put option derivative component” in note 26 (ii) for information of each of the embedded put option derivative of 2009-2014 Notes, 2011-2016 Notes and 2013 to 2018 Notes.

26. Convertible Notes *(Continued)*

The methods for the valuation of 2009-2014 Notes, 2011-2016 Notes and 2013-2018 Notes are as follows:

(i) Valuation of liability component

The fair value of the liability component on initial recognition was based on a valuation provided by BMIA, a firm of independent qualified professional valuers not connected with the Group, calculated using the present value of contractually determined stream of future cash flows discounted at the required yield of 9.0219%, 7.959% and 7.326% for the 2009-2014 Notes, the 2011-2016 Notes and the 2013-2018 Notes respectively, which were determined with reference to the credit spread of similar convertible notes and the terms of the convertible notes.

(ii) Valuation of embedded put option derivative component

The fair values of embedded put option derivative for the 2011-2016 Notes and 2013-2018 Notes are measured at fair value using the Binomial Option Pricing Model by BMIA as of 31st December 2013 to be HK$1,458,000 and HK$3,830,000 respectively. The inputs into the model as at the respective dates are as follows:

	2011-2016 Notes	**2013-2018 Notes**
Share price	HK$0.42	HK$0.42
Conversion price	HK$0.60	HK$0.60
Expected dividend yield	0%	0%
Risk free rate	0.548%	1.210%
Volatility	53.352%	51.930%

In accordance to Black-Scholes Option Pricing Model, the time to maturity is a very important parameter affecting the valuation of embedded put option for 2009-2014 Notes. For reason that the 2009-2014 Notes will mature in two months time, the fair value of embedded put option derivative is therefore close to zero. Also, the noteholders has indicated that they will let the put option to lapse. COMPLANT, the noteholder of approximately 97% of 2009-2014 Notes, had sought the independent shareholders to approve the extension of its duration for five years and the remaining noteholders of approximately 3% of 2009-2014 Notes has indicated the Company that the redemption only need to carry out on maturity and 100% of 2009-2014 Notes will not exercise early redemption option. Judged on the Black-Scholes Option Pricing Model and the fact that the noteholders of 2009-2014 Notes will let the embedded put option to lapse, the fair value of embedded put option derivative component for 2009-2014 Notes was regarded as HK$nil as at 31st December 2013. The Group has appointed BMIA, an independent valuation firm, to determine the fair value of embedded put option derivative component for the new five-year extended term starting from 27th February 2014, this fair value has disclosed in note 38 “Event after the Reporting Period” to the consolidated financial statements.

27. Amounts due to Non-controlling Interests

The amounts due to non-controlling interests are denominated in USD, which are unsecured, bearing interest at 6% (2012: 6% to 6.56%) per annum up to 12th April 2013 and no interest is charged after 12th April 2013. These amounts are long-term and not repayable within one year.

28. Share Capital

	Note	**2013 '000**	2012 '000	**2013 HK$'000**	2012 HK$'000
Ordinary share of HK$0.1 each					
Authorised					
At beginning and end of year		**6,000,000**	6,000,000	**600,000**	600,000
Issued and fully paid					
At beginning of year		**2,191,180**	1,391,180	**219,118**	139,118
Issue of new shares	(i)	**–**	800,000	**–**	80,000
At end of year		**2,191,180**	2,191,180	**219,118**	219,118

Note:

(i) On 3rd September 2012, 800,000,000 subscription shares of HK$0.1 each at the price of HK$0.60 per subscription share were issued to China Complant pursuant to the subscription agreement entered on 12th April 2012.

29. Non-controlling Interests

	2013 HK$'000	2012 HK$'000
Balance at beginning of year	**(31,815)**	(25,842)
Share of loss for the year	**(55,375)**	(2,260)
Share of other comprehensive expense	**(6,161)**	(3,713)
Share of total comprehensive expense	**(61,536)**	(5,973)
Acquisition of non-controlling interests in subsidiary company	**(32)**	–
Balance at end of year	**(93,383)**	(31,815)

30. Commitments

Operating lease commitments:

	2013 **HK$'000**	2012 HK$'000
Lease payments paid during the year under operating leases in respect of land and buildings and office premises	**7,854**	7,254

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

Operating lease payments principally represent rentals payable by the Group for certain of its land and building and office premises for both years.

	2013 **HK$'000**	2012 HK$'000
Within one year	**6,593**	7,534
In the second to fifth year inclusive	**26,370**	32,704
Over five years	**283,480**	281,257
	316,443	321,495

The Group has no other commitment as at 31st December 2013.

31. Share Options Scheme

2000 Share Option Scheme

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

Up to 31st December 2013, no share option was granted since adoption under the terminated 2000 share option scheme.

2007 Share Option Scheme

The Company has, in accordance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), adopted a new share option scheme (the "2007 Share Option Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 20th September 2007. The details of the 2007 Share Option Scheme are set out in the Company's circular dated 3rd September 2007.

31. Share Options Scheme *(Continued)*

2007 Share Option Scheme *(Continued)*

The purpose of the 2007 Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees, directors, consultants and advisers of the Group and to promote the success of the Group. Qualifying participant of the 2007 Share Option Scheme means (a) any executive director, employee or proposed employee including full time or part time of any member of the Group (b) any non-executive director including independent non-executive directors of any member of the Group (c) any supplier of goods or services to any member of the Group (d) any customer of any member of the Group (e) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group (f) any shareholder of any member of the Group or any holder of any securities issued by any member of the Group (g) any joint venture partner, business or strategic alliance partner of any member of the Group (h) any discretionary trust whose discretionary objects may be any of (a) to (g).

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

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

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

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

31. Share Options Scheme *(Continued)*

2007 Share Option Scheme *(Continued)*

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

32. Retirement Benefits Schemes

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

The subsidiaries are required to contribute a certain percentage of the payroll of their employees to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the respective schemes.

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

The total cost charged to the consolidated statement of profit or loss of approximately HK$3.4 million (2012: approximately HK$3.2 million) represents contributions payable to these schemes by the Group in respect of the current accounting period.

33. Pledge of Assets

As at 31st December 2013 and 2012, River Right had pledged its interest in 65 shares in Zheng Da, representing 65% of its issued capital, as security for the five-year zero-coupon convertible notes of principal amount of HK$24 million issued to CAXX.

As at 31st December 2013 and 2012, a bank deposit of a subsidiary of approximately J$42.8 million (approximately HK$3.1 million) (2012: approximately J$21.0 million (approximately HK$1.7 million)), was pledged to secure against its bank guarantee of J$40.0 million (approximately HK$2.9 million)) in Jamaica during the year ended 31st December 2013 and 2012. The cash collateral account attracts interest at 2.25% per annum to 4.25% per annum for the year ended 31st December 2013 (2012: 4.5% per annum).

34. Related Party Transactions and Balances

During the year, the Group had certain transactions with related parties. Details of these transactions of the year and balances at 31st December 2013 with these related parties are as follows:

(a) Transactions with related parties

	2013 HK$'000	2012 HK$'000
Sales to		
– Four subsidiaries of COMPLANT (Note (i))	**210,201**	206,182
Purchase from		
– Controlling shareholder of COMPLANT (Note (ii))	**286,444**	100,659
Rental and building management fee paid to		
– Controlling shareholder of COMPLANT (Note (iii))	**993**	993
Transactions with related party before the Acquisition		
– Purchases of inventories, plant, machinery and equipment from COMPLANT (Note (iv))	**5,145**	43,190
– Interest expenses paid to COMPLANT (Note (iv))	**8,683**	11,024

Notes:

(i) Pursuant to four supply and service agreements dated 5th December 2011 which have been approved by independent shareholders of the Company on 10th January 2012, SATT, a subsidiary of the Company, rendered supporting services to sweetener and ethanol business to four subsidiaries of COMPLANT, a substantial shareholder of the Company.

(ii) Pursuant to a supply and service agreement dated 5th December 2011 and an addendum on 6th February 2013, which was approved by independent shareholders of the Company on 10th January 2012 and 22nd March 2013, SATT, received supporting services to sweetener and ethanol business from the controlling shareholder of COMPLANT.

(iii) The amount paid by SATT pursuant to the tenancy agreements dated 5th December 2011 between SATT and the controlling shareholder of COMPLANT.

(iv) PCSC is an indirect wholly-owned subsidiary of COMPLANT prior to our acquisition of the 70% interest in its immediate holding company, Joyful Right Limited, on 12th April 2013. These transactions were only incurred by PCSC prior to our acquisition on 12th April 2013. There is no further transaction of the same nature after 12th April 2013.

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

(b) Trade and other receivables, trade and other payables and advances from/to related parties

	2013 HK$'000	2012 HK$'000
Amounts due from four subsidiaries of COMPLANT		
– Trade receivables (Note (i))	**283,893**	196,932
Amounts due from (to) controlling shareholder of COMPLANT		
– Other receivables (Note (ii))	**25,236**	23,254
– Trade and other payables (Note (iii))	**(89,504)**	(14,948)
Amount due to related party from Acquisition		
Amount due to COMPLANT (Note (iv))		
– Advances	**313,997**	324,736
– Trade payables (Note 24)	**–**	230,378

Notes:

(i) The amount is receivable by SATT for rendering supporting services to sweetener and ethanol business to four subsidiaries of COMPLANT. The trade receivables is interest-free and unsecured.

(ii) Deposit paid by SATT for purchases of inventories from the substantial shareholder of COMPLANT for supporting services to sweetener and ethanol business. The deposit paid is interest-free and unsecured.

(iii) The amount is payable by SATT for supporting services received in relation to sweetener and ethanol business from the substantial shareholder of COMPLANT. These balances are interest-free and unsecured.

(iv) The advances and trade payable to COMPLANT are denominated in US dollars and arose primarily from advances made directly to PCSC for working capital and inventory purchase. Both balances bear interest in accordance with the lending rate of The People's Bank of China up to 12th April 2013 and are unsecured. The interest rate is 6% per annum for the period up to 12th April 2013 (31th December 2012: 6% – 6.56% per annum). Trade payable is repayable in one year and advances are long-term and not repayable within one year. The balance became non-interest bearing after 12th April 2013.

During the year ended 31st December 2013, the Group effected the following material non-recurring transactions:

(a) In April 2013, the Group has acquired a 70% equity interest in Joyful Right Limited and its subsidiary from COMPLANT for a cash consideration of approximately HK$25,391,000. The transaction was recognised as business combination under common control.

(b) On 27th June 2013, the Company issued the 2013-2018 Notes in the principal amount of HK$45,750,000 to CAXX pursuant to the subscription agreement disclosed in the Company's announcement dated 31st May 2013.

(c) On 2nd September 2013, Hollyview International Limited, a company beneficially owned by Mr. Hu Yebi, an executive director of the Company, exercised its redemption right and the Company redeemed the 2009-2014 Notes of principal amount of HK$75,000,000.

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

(c) Key management personnel compensation

The remuneration for key management personnel is as follows:

	2013 **HK$'000**	2012 HK$'000
Directors' fee	**280**	280
Basic salaries and allowances	**114**	803
Performance bonus	**84**	591
Retirement benefits scheme contributions	**17**	118
	495	1,792

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

35. Subsidiaries

35.1 General information of subsidiaries

Details of the Company's material subsidiaries at 31st December 2013 are as follows:

Name of company	Place of incorporation/ operations	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
			Directly		Indirectly				
			2013 %	2012 %	2013 %	2012 %	2013 %	2012 %	
Jumbo Right Investments Limited	British Virgin Islands/ Hong Kong	Ordinary share US$1	100%	100%	–	–	100%	100%	Investment holding
Sino-Africa Technology & Trading Limited	British Virgin Islands	Ordinary shares US$3,000,000	–	–	100%	100%	100%	100%	Provision of supporting services to sweetener business
Sino-Africa Technology & Trading (Hong Kong) Limited	Hong Kong	Ordinary share HK$1	–	–	100%	100%	100%	100%	Investment holding
River Right Limited	British Virgin Island/ Hong Kong	Ordinary share US$1	100%	100%	–	–	100%	100%	Investment holding
Zheng Da Investments Limited	British Virgin Island/ Hong Kong	Ordinary share US$100	–	–	90%	65%	90%	65%	Investment holding
Compagnie Beninoise De Bioenergie	Republic of Benin	Registered capital XOF 1,000,000,000	–	–	90%	65%	90%	65%	Ethanol biofuel business
Joyful Right Investments Limited	British Virgin Island/ Hong Kong	Ordinary share US$100	70%	70%	–	–	70%	70%	Investment holding
Pan-Caribbean Sugar Company Limited	Jamaica	Ordinary share US$38,000,000	–	–	70%	70%	70%	70%	Sugar cane growing and sugar manufacturing business

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

35. Subsidiaries *(Continued)*

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		31/12/13	31/12/12	**31/12/13**	31/12/12	**31/12/13**	31/12/12
				HK$'000	HK$'000	**HK$'000**	HK$'000
Joyful Right Group	Jamaica	**30%**	30%	**45,675**	6,000	**77,523**	31,847
Individually immaterial subsidiaries with non-controlling interests						**15,860**	(32)
						93,383	31,815

Summarised financial information in respect of the one of Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Joyful Right Group

	2013	2012
	HK$'000	HK$'000
Current assets	**541,490**	333,301
Non-current assets	**216,235**	217,519
Current liabilities	**(30,786)**	(332,243)
Non-current liabilities	**(985,349)**	(324,736)
Equity attributable to owners of the Company	**(180,887)**	(74,312)
Non-controlling interests	**(77,523)**	(31,847)

35. Subsidiaries *(Continued)*

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

Joyful Right Group (Continued)

	2013 **HK$'000**	2012 HK$'000
Revenue	**351,673**	443,356
Expenses	**(519,635)**	(467,880)
Loss for the year	**(167,962)**	(24,524)
Loss attributable to owners of the Company	**(117,574)**	(17,167)
Loss attributable to the non-controlling interests	**(50,388)**	(7,357)
Loss for the year	**(167,962)**	(24,524)
Other comprehensive income attributable to owners of the Company	**11,054**	3,168
Other comprehensive income attributable to the non-controlling interests	**4,737**	1,357
Other comprehensive income for the year	**15,791**	4,525
Total comprehensive expense attributable to owners of the Company	**(106,520)**	(13,999)
Total comprehensive expense attributable to the non-controlling interests	**(45,651)**	(6,000)
Total comprehensive expense for the year	**(152,171)**	(19,999)
Dividends paid to non-controlling interests	**–**	–
Net cash (outflow) inflow from operating activities	**(515,387)**	64,855
Net cash outflow from investing activities	**(46,405)**	(126,898)
Net cash inflow from financing activities	**550,274**	90,125
Net cash (outflow) inflow	**(11,518)**	28,082

36. Interests in Subsidiaries

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**25,392**	–
Amounts due from subsidiaries	**1,474,551**	931,294
	1,499,943	931,294
Impairment loss recognised	**(235,000)**	(25,000)
	1,264,943	906,294

Details of the Company's subsidiaries at 31st December 2013 are set out in note 35.

In the opinion of the directors, the amounts due from subsidiaries are unsecured, non-interest bearing and are long-term and not repayable within one year from the end of reporting period and are therefore shown in the statement of financial position as non-current. The carrying amount approximates their fair value.

37. Contingent Liabilities

At as 31st December 2013 and 2012, a subsidiary of the Group issue bank guarantee in Jamaica of J$40,000,000 (approximately HK$2.9 million) in favour of suppliers for fuel and electricity supplies.

38. Event after the Reporting Period

On 17th January 2014, the Company's shareholders approved the extension of the maturity date, from 27th February 2014 to 27th February 2019, of two tranches of five-year zero-coupon Hong Kong-dollar convertible notes which were issued on 27th February 2009. For the fair value of embedded put option derivative component for the new five-year extended term starting from 27th February 2014 is determined by BMIA, an independent valuation firm, to be approximately HK$68.6 million as at 27th February 2014. As the effective interest for liability component of 2009-2014 Notes has fully reflected to consolidated statement of profit or loss in the first five-year term and the liability component is now fully reflecting the liability of the principal amount of approximately HK$533.7 million and therefore the new fair value of embedded put option derivative of the second five-year term will only involve a re-measurement of equity component of the 2009-2014 Notes of approximately HK$217.6 million before extension. Such re-measurement will cause the equity component of the 2009-2014 Notes to reduce by approximately HK$68.6 million and other financial liabilities representing the embedded put option derivative to increase by approximately HK$68.6 million as at 27th February 2014.

39. Information about the Statement of Financial Position of the Company

Information about the statement of financial position of the Company includes:

	Notes	2013 HK$'000	2012 HK$'000
Non-current asset			
Interests in subsidiaries	36	**1,264,943**	906,294
Current asset			
Bank balances and cash		**34,798**	637,417
Current liabilities			
Other payables		**1,464**	2,140
Other financial liabilities	26	**5,288**	–
		6,752	2,140
Net current assets		**28,046**	635,277
Total assets less current liabilities		**1,292,989**	1,541,571
Non-current liability			
Convertible notes	26	**597,475**	585,559
Net assets		**695,514**	956,012
Capital and reserves			
Share capital	28	**219,118**	219,118
Reserves		**476,396**	736,894
Total equity		**695,514**	956,012

Five Years Financial Summary

	Year ended 31st December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000 (restated)	2012 HK$'000 (restated)	**2013** **HK$'000**
RESULTS					
Continuing operations					
Turnover	154,317	205,767	217,730	649,538	**561,874**
Cost of sales	(67,005)	(120,930)	(157,342)	(537,024)	**(453,903)**
Gross profit	87,312	84,837	60,388	112,514	**107,971**
Changes in fair value of biological assets	–	–	(16,491)	60,348	**(32,663)**
Other income	218	409	1,913	13,621	**9,403**
Distribution cost	(15)	(21)	–	–	**–**
Administrative expenses	(18,827)	(26,283)	(60,584)	(95,210)	**(94,244)**
Other expenses	(112,882)	(46,150)	(21,150)	(21,150)	**(167,581)**
Profit (loss) from operations	(44,194)	12,792	(35,924)	70,123	**(177,114)**
Finance costs	(33,139)	(41,491)	(52,622)	(87,243)	**(95,105)**
Loss before tax	(77,333)	(28,699)	(88,546)	(17,120)	**(272,219)**
Income tax expense	–	–	–	–	**–**
Loss for the year from continuing operations	(77,333)	(28,699)	(88,546)	(17,120)	**(272,219)**
Discontinued operations					
Profit (loss) for the year from discontinued operations	(98,734)	67,447	–	–	**–**
Profit (loss) for the year	(176,067)	38,748	(88,546)	(17,120)	**(272,219)**
Attributable to:					
Owners of the Company	(179,113)	37,851	(63,449)	(14,860)	**(216,844)**
Non-controlling interests	3,046	897	(25,097)	(2,260)	**(55,375)**
	(176,067)	38,748	(88,546)	(17,120)	**(272,219)**

	At 31st December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000 (restated)	2012 HK$'000 (restated)	**2013** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,217,815	1,101,291	1,504,892	2,216,843	**1,679,034**
Total liabilities	(730,729)	(609,752)	(752,567)	(1,279,203)	**(1,047,945)**
Non-controlling interests	–	–	(239,347)	31,815	**93,383**
	487,086	491,539	512,978	969,455	**724,472**

* Due to the business combinations under common control, the comparative amounts of the financial statements have been restated.