大成糖業控股有限公司

GLOBAL Sweeteners Holdings Limited

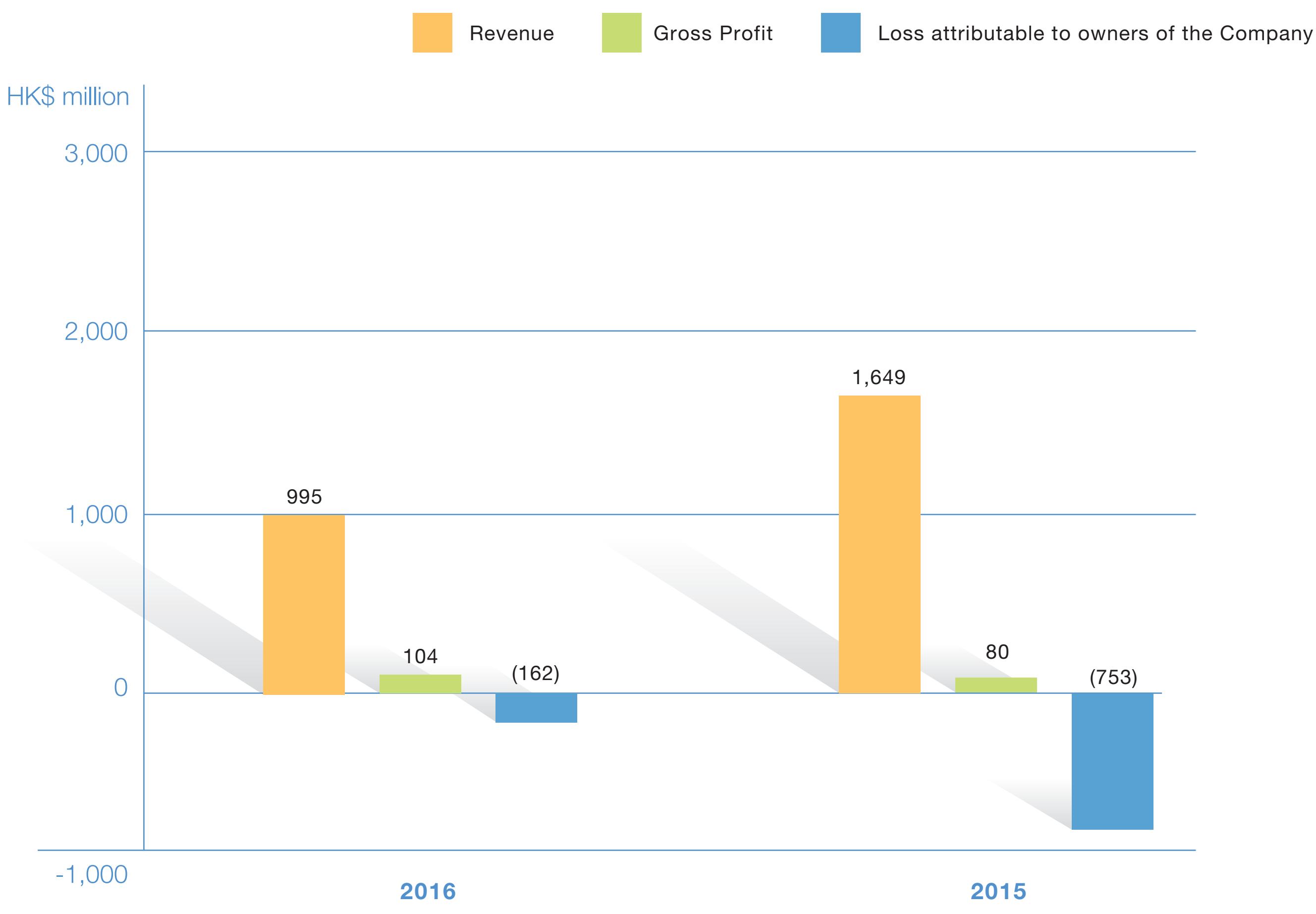
(incorporated in the Cayman Islands with limited liability)
Stock Code: 03889

ANNUAL REPORT 2016

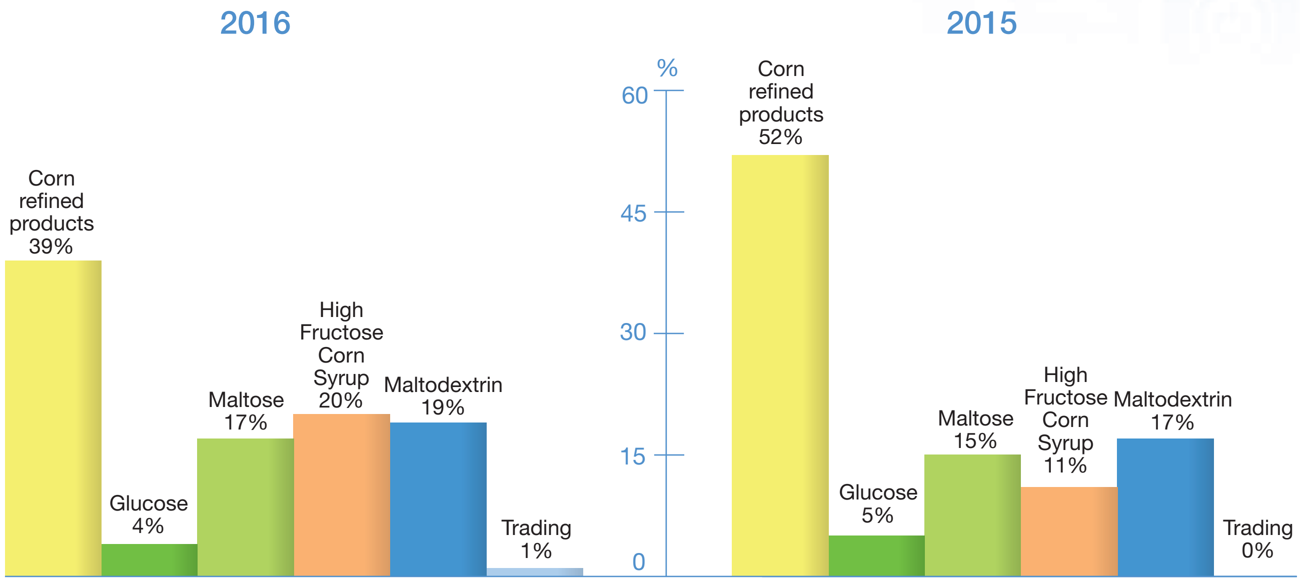
CONTENTS

FINANCIAL HIGHLIGHTS

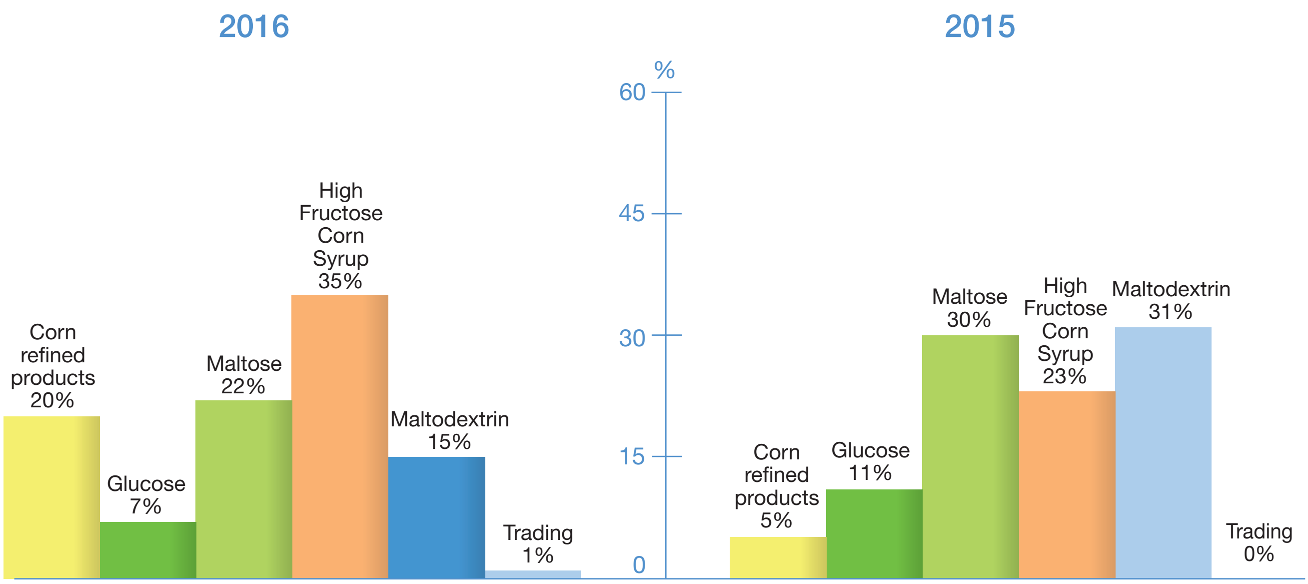
	2016	2015	Change %
Revenue (HK$'Mn)	995	1,649	(39.6)
Gross profit (HK$'Mn)	104	80	29.6
Loss before tax (HK$'Mn)	(254)	(747)	N/A
Loss attributable to owners of the Company (HK$'Mn)	(162)	(753)	N/A
Basic loss per share (HK cents)	(10.6)	(49.3)	N/A
Proposed final dividend per share (HK cents)	—	—	N/A



REVENUE DISTRIBUTION



GROSS PROFIT DISTRIBUTION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kong Zhanpeng *(Chairman)*
Mr. Zhang Zihua *(Appointed on 23 March 2017)*
Mr. Wang Jian *(Resigned on 23 March 2017)*

Non-executive Directors

Mr. Fu Qiang *(Resigned on 23 March 2017)*
Ms. Zhang Yaohui *(Resigned on 23 March 2017)*

Independent non-executive Directors

Mr. Ho Lic Ki
Mr. Lo Kwing Yu
Mr. Yuen Tsz Chun *(Appointed on 16 March 2016)*

COMPANY SECRETARY

Mr. Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITOR

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Wanchai
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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WEBSITE

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STOCK CODE

03889

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

During the year under review, weather conditions and sugar production in certain major sugar producing countries declined, which led to an increase in sugar price. Stimulated by the rising sugar price, the market demand for sweeteners as a substitute of sugar soared and brought about positive impact to the Group's performance. On the other hand, as the management team kept up with market trends by production planning and exercising stringent cost control in every aspect of operations, the overall operation efficiency was improved. Although the Group still recorded a net loss for the year 2016, such loss was significantly narrowed as compared to the previous year, showing a continuous improvement in the Group's performance.

During the year, domestic corn price dropped as a result of the State agricultural reform. Nevertheless, such decrease in corn price was not reflected in the Group's corn purchasing cost due to the low utilisation of the Group's corn processing facilities in Jinzhou for most of the time of the year under review. The low utilisation rate also kept the unit cost of corn starch and corn refined products high, thus adding pressure to the Group's upstream business. However, with the finalisation of corn procurement subsidies in various provinces in the last quarter of the year, the operating environment for the upstream business has shown signs of improvement – although the prices of the upstream products remained weak, with the arrival of industry's peak season in the fourth quarter of the year and the introduction of corn procurement subsidy policy, these changes has provided a significant boost to the Group's upstream business. Notwithstanding the decrease in the Group's upstream revenue for the year, the Group's strategies including optimisation of operation have effectively minimised loss, leading to an improvement in the gross profit of the Group's upstream business.

In preparation for the relocation, the Group's production facilities in Changchun has been suspended for most of the time during the year under review. As such, the production of the Group's sweetener products was carried out mainly in the Shanghai production base. The Shanghai production base has gradually developed into the Group's multifunctional platform in recent years, which integrates the Group's major functions such as sales and marketing activities, customer relationship management as well as research and development activities – which form the cornerstone of the Group's sustainable development. Benefited from its continuous effort in optimising operation and raising production efficiency, the Shanghai production base maintained healthy profitability and provided stable cash inflows for the Group during the year. The flavoured syrups launched last year targeting at restaurants and retail outlets have received favourable response from the market and achieved satisfactory sales performance.

During the first half of 2016, the Group entered into a master sales agreement with its ultimate holding company – Global Bio-chem Technology Group Company Limited ("GBT", together with its subsidiaries, the "GBT Group"), and commenced the operation of the trading segment. Leveraging on the extensive sales and marketing network and client base of the Shanghai site, the Group actively markets and sells lysine and other corn refined products of GBT in Huadong region. Such arrangements have unleashed the synergies for the businesses of both companies.

As announced by the Group last year, the Group and Jilin Province Taiyangshen Construction Engineering Co., Ltd (the "Former Purchaser") have entered into the property disposal agreement dated 14 April 2016 (the "Property Disposal Agreement") in respect of the sale and purchase of pieces of land in Luyuan District, Changchun, the PRC and the buildings erected thereon ("Relevant Properties"); and the asset disposal agreement dated 14 April 2016 (the "Asset Disposal Agreement") in respect of the sale and purchase of including among others prepayments and trade and other receivables owed to the Group by its customers and/or suppliers ("Relevant Assets"). The aforesaid transactions were approved by the shareholders at a general meeting of the Company held in June 2016. Notwithstanding the effort made by the Group, certain conditions precedent as contemplated under the Property Disposal Agreement are yet to be fulfilled. The Former Purchaser in proposing to terminate the Property Disposal Agreement, has also proposed to terminate the Asset Disposal Agreement notwithstanding all conditions precedent under the Asset Disposal Agreement had been fulfilled. Considering the relevant costs and time involved if the Group decided to take legal action against the Former Purchaser and based on the PRC legal opinion, the management considered the termination of the Property Disposal Agreement and the Asset Disposal Agreement is in the best interest of the Company. Currently, the Group is exploring other means to dispose of the Relevant Properties, and is actively negotiating with other potential buyers in relation to the disposal proposals.

MESSAGE TO SHAREHOLDERS

According to the announcement made by the Group's parent company GBT on 2 March 2017, a change in shareholding structure of its controlling shareholder has taken place. Immediately after the restructuring, Jilin Agricultural Investment Group Co., Ltd. ("Nongtou"), an entity controlled by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province ("SASAC of Jilin Government"), becomes the indirect controlling shareholder of GBT. As the new shareholder is also controlled by the SASAC of Jilin Government, it is believed that Nongtou will exercise its influence in the agricultural sector in Jilin Province and continue to support the business development of both the GBT Group and the Group. The introduction of new shareholder is expected to create synergistic effects to the Group's business.

OUTLOOK

Looking into 2017, notwithstanding the fact that global sugar production is expected to increase slightly, it is still insufficient to feed overall demand. High sugar price is expected to sustain which shall spur on the switch from sugar to sweeteners.

The State is implementing the structural supply-side reform ("供給側改革") in the corn industry; according to the No. 1 Central Document issued at the beginning of 2017, apart from granting direct subsidies to corn farmers in the Three Northeastern Provinces and Inner Mongolia Autonomous Region, the central government also announced the granting of different levels of corn procurement subsidies to corn processing enterprises with corn processing capacity of 100,000 metric tonnes or more that utilise newly harvested corn in these regions. Such policies could help domestic corn price restore a market approach based on supply and demand. The Group is expected to benefit from the corn procurement subsidies starting from 2017, thus reducing raw material costs. However, the market consolidation in the past few years has not completely tossed away the excess capacity in the upstream corn refinery industry. Since excess supply still exists, more time is expected for market recovery. As such, it is not likely to see solid improvements in the prices of upstream products in the short term.

The Group's Jinzhou plant has gradually resumed production of upstream products since the end of 2016. Its corn processing volume in 2017 shall reach 300,000 metric tonnes. Improved capacity utilisation is expected to spread fixed costs and help ameliorate operation efficiency. Phase one of the relocation of production facilities in Changchun is scheduled to be completed in April this year. The new facilities will start its trial run by the second quarter of this year.

The depreciation of Renminbi against US Dollars has raised the competitiveness of China products in oversea markets. In addition, the reformed national agricultural policy has resumed the market mechanism for China's domestic corn price which substantially enhanced the feasibility of exporting corn-related products. With sweeteners market sentiment revived as stimulated by high sugar price, and that the production of the Group's upstream and downstream products started to rebound, the Group's overall gross profit level is expected improve via economies of scale. The Group will also stick to the prudent approach in planning production to orders, and continue to expand product mix and improve operating efficiency through continuous efforts in research and development.

I would like to take this opportunity to extend our sincere gratitude to all our shareholders for their support and trust over the years. The Group will strive to achieve outstanding performance and carve out a bright future.

Kong Zhanpeng
Chairman

29 March 2017

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also the sole distributor of GBT in the Huadong Region, selling their lysine and other corn refined products.

BUSINESS REVIEW

The selling prices of the Group's products are affected by the prices of their raw materials (principally corn kernels and corn starch), the demand and supply of each of the products and their respective substitutes in the market and the variety of product specifications.

During the year ended 31 December 2016 (the "Year"), notwithstanding the continuous effort of the state government to stimulate economic growth and development, the economic environment in China continued to be challenging. Demand at home and abroad remained weak during the Year. Rising costs coupled with the depreciation of Renminbi ("RMB") has dragged down Chinese exports trade figures by 7.7 per cent year-on-year. In addition, rising protectionism has added uncertainties to China's exports performance during the Year.

With respect to global corn market, according to the estimate from the USDA, global corn production for the year 2016/2017 reaches 1,040 million metric tonnes ("MT"). International corn price increased slightly to 425 US cents per bushel (equivalent to RMB1,160 per MT) (31 December 2015: 406 US cents per bushel) by the end of the Year. In the People's Republic of China (the "PRC" or "Mainland China"), corn harvest in 2016/17 maintained at similar level at 220 million MT (2015/16: approximately 225 million MT). As disclosed in the Company's interim report for the six months ended 30 June 2016 (the "2016 Interim Report"), in an official government document "Opinion on the implementation of the establishment of subsidy programme to corn producers"（關於建立玉米生產者補貼制度的實施意見）dated 19 June 2016, the State Government confirmed the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region, and the introduction of a direct subsidy programme in these provinces in the 2016/17 corn harvest season. The scheme has restored market approach in the price determination of agricultural products and brought stability to the purchasing price of corn in China. The average market price of corn kernels dropped to approximately RMB1,735 per MT (end of 2015: RMB2,023 per MT) by the end of 2016. In addition, the provincial governments in northeast China introduced direct subsidies to corn refiners which purchase local corn during the harvest months of 2016. For instance, Jilin provincial government and Liaoning provincial government offer subsidies of RMB200 and RMB100 respectively for qualified corn refiners for every MT of corn purchased locally during the period from October 2016 till the end of April 2017 and processed before June 2017. However, as the Group's upstream operation in Changchun has been suspended for relocation during the Year and its Jinzhou site has been operating at low utilisation rate in most of the months during the Year, its contribution to the Group's revenue is minimal. However, with the Jinzhou upstream corn refinery gradually increases its utilisation rate since December 2016, such benefits with respect to corn price movement are expected to be reflected in the Group's performance in 2017.

The normalised corn price in China coupled with the depreciation of RMB enhance the competitiveness of Chinese corn refined products and other downstream products. It is expected that China's export trade performance will improve in 2017. As observed in the trade figures in January 2017, China's export trade has shown signs of recovery and risen 7.9 per cent year-on-year to US$182.81 billion as a result of improved global demand. The improved outlook on China's exports will help ease the pressure from overcapacity in the domestic market.

As for the sugar market, decreased production in various major sugar producing regions has once boosted international sugar price to 23.90 US cents per pound (equivalent to RMB3,457 per MT) (2015: 16.16 US cents per pound, equivalent to RMB2,212 per MT) during the Year. Similar phenomenon has been noted in the PRC market – domestic cane sugar production dropped from 10.5 million MT to 9.0 million MT in 2015/16 harvest, with domestic sugar price once hit RMB7,119 per MT (2015: RMB5,518 per MT) during the Year. The increased sugar price in contrast with the decreased corn price has widened the cost difference between cane sugar and corn sweeteners, increasing customer's incentive to switch to corn sweeteners. Although it is estimated that the World's sugar production will raised from 165 million MT to 171 million MT approximately in 2016/17 harvest, there will still be shortage for the year 2017 with the World's sugar consumption volume estimated at 174 million MT. As such, the outlook on sugar and sweetener market remains positive.

Notwithstanding the fact that 2016 was still a year filled with challenges, the overall operating environment during the Year improved slightly. While the sweeteners market remains stable, changes in the upstream industry is expected to provide opportunities for corn refiners. The Group will continue to strengthen its market position leveraging on its brand name and further improve cost effectiveness through continuous research and development efforts to lower operating costs, at the same time optimising utilisation rate to improve operation efficiency.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Company for the year ended 31 December 2015 was subject to the disclaimer of opinion of the Auditor in the independent auditor's report in the Company's annual report for the year ended 31 December 2015 ("2015 Annual Report"). Further to the management response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the 2015 Annual Report and the 2016 Interim Report, the management of the Company wishes to update the remedial measures taken or to be taken as follows.

1. Financial guarantees granted for the benefits of a major supplier

As detailed in the 2015 Annual Report, the Previous Financial Guarantee Contracts were not recognised in the Group's consolidated financial statements for the year ended 31 December 2015 because the Group was unable to obtain reliable financial information of a former major supplier of corn kernels of the Group, Changchun Dajincang Corn Procurement, Ltd.（長春大金倉玉米收儲有限公司）("Dajincang" or the "Supplier"), for the professional valuer to conduct an accurate valuation. During the Year, as a result of similar difficulties encountered by the Group in 2015, no valuation as at 31 December 2016 could be proceeded.

As disclosed in the joint announcement of the Company and GBT dated 8 August 2016 and the circular of the Company dated 6 September 2016, New Financial Guarantee Contracts were granted by a subsidiary of the Company to 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") to guarantee the obligations of the Supplier under the new supplier loan. As at the date of this report, BOC had not taken steps to enforce the New Financial Guarantee Contracts.

While the Group continues to negotiate with BOC to release the Group from the New Financial Guarantee Contracts, the Group and BOC have also explored other alternatives in case the Supplier fails to repay the New Supplier Loan which will consequently trigger the Group's obligations as the guarantors pursuant to the New Financial Guarantee Contracts including debt-equity swap. Subsequently, a debt-equity swap proposal has been submitted to the People's Government of Jilin Province for approval in March 2017.

2. Impairment of non-current assets

As detailed in the 2015 Annual Report, an impairment assessment on the Group's property, plant and equipment as at 31 December 2014 and 2015 was performed by the Directors. As a result, except for buildings which were stated at revalued amounts, the property, plant and equipment in Jinzhou and Changchun were fully impaired. The Auditor was unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the Directors' impairment assessment at 31 December 2014 and 2015.

The management has engaged an independent professional qualified valuer to perform a valuation in order to assess the impairment on the Group's property, plant and equipment in Jinzhou and Changchun as at 31 December 2016.

The Auditor was satisfied with the impairment assessment of the Group's property, plant and equipment as at 31 December 2016. However, since the Auditor was unable to obtain sufficient appropriate audit evidence to assess the Directors' impairment assessment as at 31 December 2014 and 2015, the Auditor was unable to determine whether any adjustments to the property, plant and equipment together with related tax at 31 December 2015 were necessary, which may have a significant impact on the reversal of impairment loss and the related deferred tax effect recognised during the year ended 31 December 2016.

In addition to the remedial actions as set out above, the management will continue to assess the valuation from time to time to ensure proper impairments are made. As such, it is expected that the disclaimer of the same nature would not appear in the final results for the year of 2017.

3. Material uncertainty relating to going concern

With respect to the material uncertainty relating to the Group's ability to continue as a going concern, the Directors have expressed their views and outlined the steps that have been taken and to be taken to improve the Group's financial position in note 2.2 to the consolidated financial statements. Dependent on the successful and favourable outcomes of these steps, the Board, including the audit committee, is of the view that the Group will be able to continue as a going concern in foreseeable future. Please refer to note 2.2 to the consolidated financial statements for details.

Depending on successful and favorable outcomes of the proposed steps as set out in note 2.2 to the consolidated financial statements, the Directors are of the view that the Company could operate as a going concern in the foreseeable future, and that the relevant disclaimer opinion may not appear in the final results for the year of 2017.

FINANCIAL PERFORMANCE

Due to the decrease in sales volume and average selling prices, the Group's consolidated revenue for the Year decreased by 39.6% to approximately HK$995.2 million (2015: HK$1,649.0 million). However, benefiting from the improved upstream market sentiment, the Group's gross profit increased by 29.9% to approximately HK$104.3 million (2015: HK$80.3 million) year-on-year. On the other hand, the low utilisation rate of the Group's production facilities in Jinzhou as a result of the intermittent production during the Year and the impairment of prepayment, deposits and other receivables of HK$230 million have dragged down the overall performance of the Group. As a result, the Group recorded a loss for the Year of approximately HK$162.4 million (2015: HK$753.8 million).

In relation to the impairments of prepayments and other receivables in the amount of HK$229.7 million, such were impairment loss on the outstanding balance of the receivable from Dajincang, which comprised of certain prepayments and trade and other receivables that constituted the Relevant Assets.

Subsequent to the termination of the Asset Disposal Agreement in March 2017, pursuant to which the receivable from Dajincang amounted to HK$223 million constituted part of the Relevant Assets, the Directors have assessed the recoverability of the receivable from Dajincang based on past collection history and the latest unaudited financial information of Dajincang. The Directors determined that the amount is not recoverable. As such, further impairment loss on the outstanding balance of the receivable from Dajincang of approximately HK$217 million was recognised during the Year.

Upstream products

(Sales amount: HK$392.4 million (2015: HK$847.7 million))
(Gross profit: HK$21.0 million (2015: HK$6.3 million))

During the Year, the revenue and gross loss of corn procurement business amounted to approximately HK$64.3 million and HK$0.1 million (2015: HK$292.4 million and HK$0.9 million) respectively. With respect to the Group's corn refinery business, the sales volume of corn starch and other corn refined products were approximately 99,000 MT (2015: 83,000 MT) and 40,000 MT (2015: 50,000 MT) respectively. Internal consumption of corn starch was approximately 28,000 MT (2015: 30,000 MT), which was mainly used as the raw material for production in the Group's Shanghai production site.

The average selling prices of corn starch and other corn refined products decreased by 27.9% to approximately HK$2,396 per MT (2015: HK$3,322 per MT) and 9.0% to approximately HK$2,242 per MT (2015: HK$2,464 per MT) respectively during the Year. Notwithstanding the fact that the Group's upstream corn refinery in Jinzhou has been operating at low utilisation rate during the Year, it has been benefiting from the agricultural subsidies from the provincial government for every MT of corn purchased and processed since the fourth quarter of the Year and the lower raw material cost as a result of the PRC agricultural policy reform. Consequently, the corn starch and other corn refined products segments recorded a gross profit margin of 8.5% (2015: 5.8%) and 1.0% (2015: gross loss margin of 9.3%) respectively during the Year.

The Group's upstream business has been improving since the last quarter of 2016 as the agricultural policy reforms gradually took effect. Since the upstream operation serves as a feedstock for the Group's downstream production, it has strategic value to the Group's operation. As such, in response to the challenging environment, the Group will closely monitor market movements and optimise its production scale from time to time.

Corn syrup

(Sales amount: HK$405.3 million (2015: HK$523.0 million))
(Gross profit: HK$66.9 million (2015: HK$49.8 million))

During the Year, revenue of corn syrup decreased by 22.5% to approximately HK$405.3 million (2015: HK$523.0 million). It was mainly attributable to the decrease in average selling price of corn syrup by 18.7% to approximately HK$2,965 per MT (2015:HK$3,646 per MT) as a result of the substantial decrease in corn starch price during the Year. Nevertheless, the cost advantage of corn sweeteners over cane sugar has enhanced the performance of the Group's downstream segments. As such, the corn syrup segment recorded a gross profit of approximately HK$66.9 million (2015: HK$49.8 million), representing a 34.3% increase compared to the previous year, with a gross profit margin of 16.5% (2015: 9.5%).

Corn syrup solid

(Sales amount: HK$186.8 million (2015: HK$278.3 million))
(Gross profit: HK$15.5 million (2015: HK$24.2 million))

No sales of crystallised glucose was recorded during the Year (2015: Nil) due to the suspension of the Group's Changchun production facilities. During the Year, sales volume of corn syrup solid, all of which was maltodextrin, decreased by approximately 14.0% to 74,000 MT (2015: 86,000 MT). As the average selling price of maltodextrin dropped by 22.4% to approximately HK$2,519 per MT (2015: HK$3,245 per MT), the revenue of maltodextrin decreased by 32.9% to approximately HK$186.8 million (2015: HK$278.3 million).

During the Year, corn syrup solid segment recorded a gross profit of approximately HK$15.5 million (2015: HK$24.2 million) with a gross profits margin of 8.3% (2015: 8.7%).

Trading

(Sales amount: HK$10.7 million (2015: Nil))
(Gross profit: HK$0.9 million (2015: Nil))

During the Year, the Group has entered into a master sales agreement with the GBT Group for the marketing and sale of the lysine and other corn refined products of the GBT Group in the Huadong Region. The trading segment recorded a gross profit of approximately HK$0.9 million (2015: Nil) with a gross profit margin of 8.4% (2015: Nil). The sale of lysine and other corn refined products has created synergistic effects to the Group's business and allowed the Group to offer better product mix to its customers.

Export sales

During the Year, the Group exported approximately 46,000 MT (2015: 41,000 MT) of upstream corn refined products and approximately 2,000 MT (2015: 200 MT) of corn sweeteners; their export sales amounted to approximately HK$86.2 million (2015: HK$90.0 million) and HK$5.1 million (2015: HK$0.2 million) respectively, together representing 9.2% (2015: 5.5%) of the Group's total revenue.

Other income and gains, operating expenses, finance costs and income tax credit/(expense)

Other income and gains

During the Year, other income of the Group decreased to HK$14.8 million (2015: HK$38.0 million). Such decrease was mainly attributable to the reversal of indemnity for breach of contract amounting to HK$21.9 million during 2015.

Selling and distribution costs

During the Year, the selling and distribution costs decreased by 4.2% to approximately HK$84.0 million (2015: HK$87.7 million), representing 8.4% (2015: 5.3%) of the Group's revenue. Such decrease was mainly attributable to the decrease in the Group's sales volume.

Administrative expenses

In 2015, expenses in relation to the idle facilities in Changchun subsequent to the suspension of operation was classified under Other expenses. During the Year, the relevant expenses were reclassified under Administrative expenses. As such, administrative expenses increased by 14.6% to approximately HK$115.3 million (2015: HK$100.6 million), representing 11.6% (2015: 6.1%) of the Group's revenue.

Reversal of impairment of property, plant and equipment

During the Year, the Company has engaged a professional valuer to perform a valuation to assess the impairment on certain subsidiaries machineries in Jinzhou and Changchun. As such, a reversal of impairment of property, plant and equipment amounted to HK$138.9 million was recognised for the Year.

Impairment of prepayments and other receivables

During the Year, the Group recorded an impairment of prepayments and other receivables of HK$229.7 million, which was mainly attributable to the impairment loss on the outstanding balance of the receivable from Dajincang. Subsequent to the termination of the Asset Disposal Agreement (wherein the receivable from Dajincang amounted to HK$222.6 million was included) as disclosed in the joint announcement by the Company and GBT dated 2 March 2017, the Directors have assessed the recoverability of the receivable from Dajincang based on past collection history and the latest unaudited financial information of Dajincang, and determined that the amount is not recoverable. As such, further impairment loss on the outstanding balance of the receivable from Dajincang of approximately HK$217.4 million was recognised during the Year.

Other expenses

During the Year, the Group's Jinzhou production facilities have resumed production. Consequently, other expenses of the Group which included expenses reallocated from cost of sales, such as depreciation and direct labour cost as a result of the idle capacity decreased to approximately HK$31.8 million (2015: HK$127.8 million).

Finance costs

During the Year, finance costs of the Group decreased to approximately HK$48.5 million (2015: HK$65.4 million) as a result of the decrease in the average interest rate to approximately 5.8% (2015: 6.8%).

Income tax credit/(expense)

Due to the reversal of temporary differences, the Group recorded a deferred tax credit of approximately HK$93.7 million (2015: deferred tax expense of HK$0.8 million) during the Year; meanwhile, two subsidiaries in the PRC incurred net profit and were subject to the PRC enterprise income tax of approximately HK$1.6 million (2015: HK$5.7 million). As a result, the Group recorded income tax credit of HK$92.1 million during the Year (2015: income tax expense: HK$6.6 million).

Net loss attributable to shareholders

With the improved operating environment since the late second half of the Year, coupled with the Group's strategy to optimise the level of operation and a recognised brand name, the Group's net loss was narrowed to approximately HK$162.4 million (2015: HK$753.8 million) during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest bearing borrowings and net borrowing position

As at 31 December 2016, the Group's bank borrowings amounted to approximately HK$808.3 million (31 December 2015: HK$894.0 million), all of which (31 December 2015: 100.0%) was denominated in Renminbi. The average interest rate during the Year decreased to approximately 5.8% (2015: 6.8%) per annum as a result of the decrease in the PRC interest rate.

Considering the management's continuous efforts in monitoring the cash flow of the Company and in maintaining good relationship with banks, the Group has not experienced any difficulties in renewing the existing banking facilities as of the date of this report.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Year, the resumption of the Jinzhou operation which normally grants a longer credit period to their customers and the acceptance of customer's settlement by bills in Shanghai area with a longer settlement period have increased the trade and bills receivables to HK$193.0 million (2015: 167.6 million). As such, the trade receivables turnover days increased to 71 days (31 December 2015: 37 days) during the Year.

During the Year, trade payables turnover days increased to approximately 58 days (31 December 2015: 46 days) as part of the cash flow management.

As at 31 December 2016, the Group's inventory turnover days increased to 46 days (31 December 2015: 37 days). Such increase was mainly attributable to increase in raw material — corn kernels as a result of resumption of operation in Jinzhou.

The current ratio as at 31 December 2016 decreased to approximately 0.4 (31 December 2015: 0.9) and the quick ratio decreased to 0.3 (31 December 2015: 0.8), due to the reallocation of non-current assets held for sale to the property, plant and equipment and prepaid land lease payments during the Year. Gearing ratio in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 5,771.0% (31 December 2015: 450.9%). To improve the financial position of the Group, the Company has adopted several strategic actions as mentioned in "3. material uncertainty relating to going concern" under the section headed "Update on remedial measures" in this report.

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for 9.2% of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company have been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi. However, considering the depreciation of Renminbi during the Year, the Company are of the view that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

Termination of the disposal of lands and buildings in Changchun and disposal of accounts receivables and inventories

Reference is made to the joint announcement of the Company and GBT dated 2 March 2017, in relation to, among others, the termination of the Property Disposal Agreement and the Asset Disposal Agreement.

Following the approval of the disposal of the Relevant Properties and the Relevant Assets by the shareholders of the Company and GBT on 21 June 2016, the relevant members of the Group has been actively working with the Former Purchaser in relation to the fulfillment of the conditions precedent and completion arrangement of the contemplated disposals.

Notwithstanding the effort made by the Group, certain conditions precedent as contemplated under the Property Disposal Agreement were yet to be fulfilled. In December 2016, the Former Purchaser proposed to terminate the Property Disposal Agreement. On the other hand, although all conditions precedent under the Asset Disposal Agreement have been fulfilled, and the completion of the Asset Disposal Agreement is not conditional upon the completion of the Property Disposal Agreement, the Former Purchaser also proposed to terminate the Asset Disposal Agreement.

The Group has sought PRC legal advice of their rights under the Property Disposal Agreement and the Asset Disposal Agreement and were advised that if the Group initiate legal proceedings against the Former Purchaser, such proceedings will be time-consuming, costly and the Relevant Properties may be subject to seizure by the court during the legal proceedings. Having considered the uncertainties involved during the legal proceedings and the financial conditions of the Group, the Board considers that it is in the economic interest of the Group to focus their resources on their business and operation rather than incurring time and costs in legal proceedings and that an early termination of the Property Disposal Agreement and the Asset Disposal Agreement would also enable the Group to explore other means to dispose of the Relevant Properties as early as possible.

MANAGEMENT DISCUSSION AND ANALYSIS

Change in management of the Company

Reference is made to the announcement of the Company dated 23 March 2017. In light of change in shareholding structure of the controlling shareholder of GBT, the controlling shareholder of the Company, the management of the Company has also undergone change. With effect from 23 March 2017, Mr. Wang Jian, Mr. Fu Qiang and Ms. Zhang Yaohui have resigned as Directors, and Mr. Zhang Zihua has been appointed as a Director.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

In the short run, the Group will take opportunity of the relocation of its production facilities to the productions site of the Group in Xinglongshan, Changchun (the "Xinglongshan Site") to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the management of the Company is of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities. Phase one of the relocation of the sweetener production facility to the Xinglongshan Site is in progress. Trial run is expected to commence in the second quarter of 2017.

In the long run, the Group will continue to strengthen its market position by leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products. The Group will also consider the possibility of diversification of business to ensure sustainable development of the Group in longer term.

With respect to the financial position of the Group, the management will endeavor to overcome the challenges and adopt a prudent approach in business development.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2016, the Group has approximately 1,130 (31 December 2015: 1,250) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related bonuses.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Kong Zhanpeng, aged 53, is an executive Director and chairman ("Chairman") of the Company and is responsible for providing leadership and directions to the Board. Mr. Kong is one of the founders of GBT. He has over 22 years of extensive experience in industry, corporate development and management. Mr. Kong holds a Bachelor's degree in textile engineering and a diploma in international trade from the China Textile University. Mr. Kong was previously the chief executive officer ("CEO") of the Group. He was also an executive director of GBT from May 2000 to September 2007, and from December 2013 to May 2014. On 24 October 2015, Mr. Kong has been appointed as CEO of GBT.

Mr. Zhang Zihua, aged 47, is an executive Director of the Company. He is also the chairman of 吉林省現代農業投資有限公司 (Jilin Province Modern Agricultural Investment Co., Ltd.). Mr. Zhang has held a number of positions in various state-owned enterprises in Jilin Province's agricultural sector, including the general manager of 吉糧期貨經紀有限公司 (Jiliang Futures Brokerage Co., Ltd.), the general manager of asset management department of 吉林省投資集團有限公司 (Jilin Province Investment Group Co., Ltd.), the deputy general manager of 吉林經濟合作開發投資有限公司 (Jilin Economic Cooperation Development Investment Co., Ltd.), and the chairman of 吉林省大米股份有限公司 (Jilin Rice Co., Ltd.). Mr. Zhang attained a Master's degree in business management from the School of Management of the Jilin University in 2005. Mr. Zhang has also been appointed as an executive director of GBT on 23 March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Lic Ki, aged 68, completed the Chinese Senior Bankers Program offered by the University of Washington, Seattle, the USA. It was an in-house training programme in cooperation with the Bank of China (Hong Kong) in 1991 and obtained a Foundation Diploma in Management from the University of Hong Kong in 1994. He is also a holder of a Bachelor's Degree in Chinese Medicine (Dispensing), Hubei University of Chinese Medicine. Mr. Ho is a fellow member of Hong Kong Securities Institute ("HKSI") and was awarded as "Professional Manager" by the Hong Kong Management Association in 2008. Mr. Ho has about 40 years of experience in banking, finance and asset management. Mr. Ho was appointed as an independent non-executive Director in August 2007.

Mr. Lo Kwing Yu, aged 53, holds a Bachelor's degree in law and economics from the University of Keele, United Kingdom. Mr. Lo is a solicitor and has been in private practice in Hong Kong since 1995. He was first admitted as a solicitor in England and Wales and then admitted as solicitor of the Supreme Court of Hong Kong and of the Eastern Caribbean Supreme Court in the Territory in the Virgin Islands. Mr. Lo is a consultant of Messrs. Y. T. Chan & Co. Mr. Lo was appointed as an independent non-executive Director in March 2014.

Mr. Yuen Tsz Chun, aged 46, is a partner of Messrs. KLC CPAs and a Managing Director of Messrs. KLC Corporate Advisory and Recovery Limited. He graduated from Queen's University of Belfast of United Kingdom in 1994 with a Bachelor of Science degree in accounting. Mr. Yuen has also obtained a Master of Laws degree from the Chinese University of Hong Kong. He is a registered Appointment Taker and Insolvency Practitioner of the Administrative Panel of Insolvency Practitioners for Court Winding-Up of the Official Receiver's Office. Mr. Yuen is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Mr. Yuen is also a Certified Fraud Examiners in Texas, the United States of America and has been awarded Specialist Designation in Insolvency by the HKICPA. He was also a member of the Restructuring and Insolvency Faculty Executive Committee of HKICPA between 2010 and 2016. Mr. Yuen has over 22 years of experience in accounting, auditing, forensic accounting, bankruptcy, liquidation and receivership. Mr. Yuen was appointed as an independent non-executive Director of the Company in March 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Wang Jian, aged 42, is the CEO of the Group and is responsible for overseeing the overall operation of the Group. He is the deputy general manager of Jilin Province Communication Investment Group Co., Ltd.*)（吉林省交通投資集團有限公司）(“Jiaotou”). Mr. Wang had held various positions in Jilin Province Communication Investment and Development Company（吉林省交通投資開發公司）from 1996 to 2012, including as the deputy head of the Corporate Planning Department, deputy director of the General Office, deputy director of the Office of the Party Committee and head of Asset Operation Department. Mr. Wang holds a Bachelor degree in economics from Jilin University. Mr. Wang was an executive director of the Company and GBT from October 2015 to March 2017.

Mr. Lee Chi Yung, aged 42, is the company secretary and the financial controller of the Company. Mr. Lee has over 16 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. He graduated from the City University of Hong Kong with a Bachelor’s degree with honors in accountancy in 1996 and attained a Master’s degree in Business Administration from University of London in 2016. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the GBT Group in September 2000 and then the Group in August 2007. Mr. Lee was an executive Director of the Company from December 2009 to October 2015. Mr. Lee was appointed as company secretary and financial controller of GBT on 15 October 2015 and 24 October 2015 respectively.

Mr. Wen Gang, aged 45, is the general manager of the Group’s Shanghai and Jinzhou production sites. Mr. Wen graduated from Jilin Grain College in 1996. He joined the Group in August 1999 and served as the general manager of certain subsidiaries of the Company and GBT. Mr. Wen has over 18 years of experience in corn refinery and sweeteners industries. Mr. Wen was an executive Director of the Company from June 2015 to October 2015.

Mr. Wang Hongshan, aged 39, is the general manager of the Group’s Changchun production site. Mr. Wang graduated from Jilin Grain College in 2001, and majored in Grain and Oil Chemical Engineering. He joined the Group in October 2001 and has extensive experience in production engineering as well as corn refinery and sweeteners industries. Mr. Wang was appointed as the general manager of the Group’s Changchun production site in April 2016.

The Company is committed to ensuring high standards of corporate governance in the interests of its shareholders (the "Shareholders") and devoting considerable effort to identify and formalise best practices.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2016.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jian has been the Chairman and CEO of the Company during the Year. On 23 March 2017, Mr. Wang Jian has resigned as an executive Director and has ceased to be the Chairman but will remain as the CEO of the Company. Mr. Kong Zhanpeng has been appointed as the Chairman, as a result, the roles of Chairman and CEO are separate and exercised by different person.

Mr. Chan Yuk Tong resigned as an independent non-executive Director with effect from 24 December 2015. Following Mr. Chan's resignation, the Company only had two independent non-executive Directors and the Audit Committee had only two members, which fell below the minimum number required under the Listing Rules. The Company subsequently appointed Mr. Yuen Tsz Chun as an independent non-executive Director and, among others, a member and chairman of the audit committee (the "Audit Committee"), a member and chairman of the corporate governance committee (the "Corporate Governance Committee"), and a member and chairman of the continued connected transactions supervisory committee (the "CCT Supervisory Committee") on 16 March 2016.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct during the Year.

BOARD OF DIRECTORS

The individual attendance record of the Directors at board meetings, board committee meetings and general meetings during the Year are as follows:

	Meetings held and attended							
	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Continuing connected transactions executive committee meetings	Continuing connected transactions supervisory committee meetings	Corporate governance committee meetings	Annual general meeting
Executive Directors								
Wang Jian *(note 1)*	13/13		2/2	3/3				1/1
Kong Zhanpeng	13/13						1/1	1/1
Non-executive Directors								
Fu Qiang *(note 2)*	11/13				12/12			1/1
Zhang Yaohui *(note 2)*	13/13				12/12			1/1
Independent Non-executive Directors								
Ho Lic Ki	11/13	7/7	2/2	3/3		5/5	1/1	1/1
Lo Kwing Yu	11/13	6/7	2/2	3/3		5/5		1/1
Yuen Tsz Chun *(note 3)*	9/11	5/5				3/3	1/1	1/1

Notes:

1. Mr. Wang Jian has resigned as executive Director, a member of remuneration committee (the "Remuneration Committee") and the chairman of nomination committee (the "Nomination Committee") of the Company from 23 March 2017.

2. Mr. Fu Qiang and Ms. Zhang Yaohui have resigned as non-executive Directors and members of continuing connected transactions executive committee (the "CCT Executive Committee") of the Company from 23 March 2017.

3. Mr. Yuen Tsz Chun was appointed as independent non-executive Director of the Company on 16 March 2016.

As of the date of this report, the Board comprises five Directors, being two executive Directors and three independent non-executive Directors. There is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Details of the biographies of individual Directors and their range of specialist experience and expertise are set out on page 15 of this report.

The Company believes its independent non-executive Directors comprise a synergy of financial management, accounting and legal experts. The Board believes such composition is ideally qualified to advise the management team on future strategic development, financial and other statutory requirements, and to guard Shareholders' interest. The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. As of the date of this report, the Board considers all independent non-executive Directors to be independent.

Board diversity

The Company recognises and embraces the benefits of building a diverse and inclusive Board, and agrees to increase diversity at Board level continuously, in order to achieve and maintain a sustainable development and a competitive advantage.

Board diversity has been considered from a range of diversity perspectives, including but not limited to gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. These aspects will be considered in determining the optimum composition of the Board and should be balanced appropriately when possible and necessary.

Underpinned by meritocracy, all Board appointments will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Board annually discusses and establishes measurable objectives for achieving diversity on the Board. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

During the Year, the Board has adopted and the Company has achieved the following measurable objectives:

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

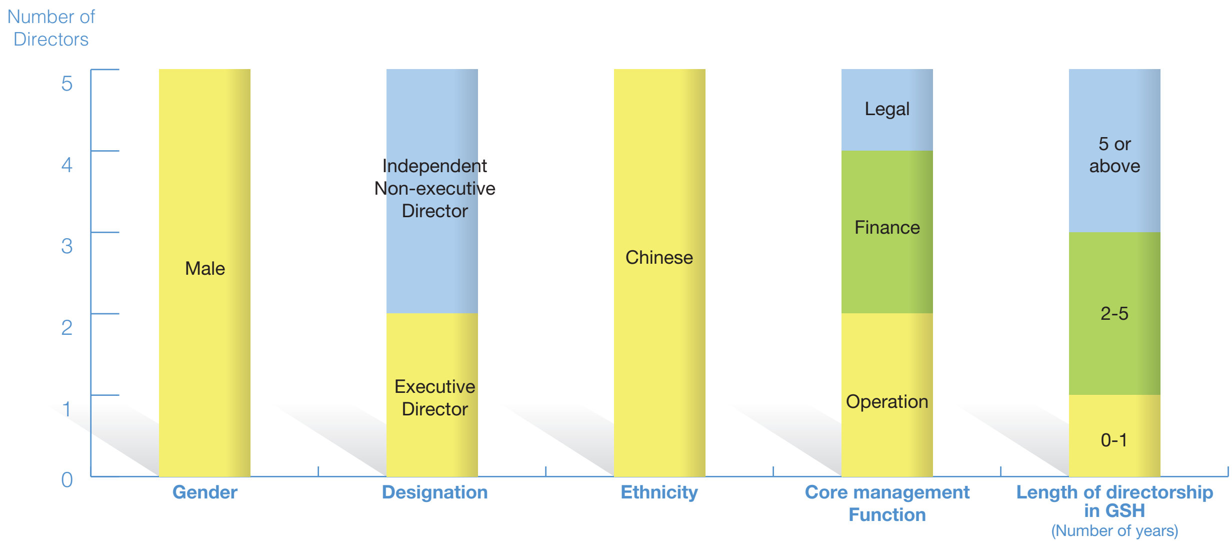
(2) at least one-third of the Board are holders of a Bachelor's degree or above;

(3) at least one Director is a qualified accountant;

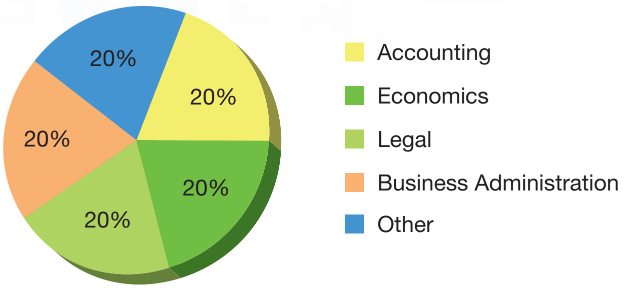
(4) at least one Director has relevant experience in the corn processing industry; and

(5) at least one Director has relevant experience in finance.

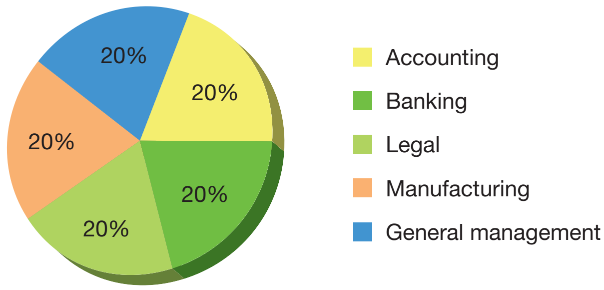
Up to the date of this report, composition of the Board is disclosed as below:



ACADEMIC BACKGROUND



BUSINESS EXPERIENCE



The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Measures have been taken to ensure the Board receives all necessary and up to standard information in a timely manner in order to effectively discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Topics discussed at these quarterly Board meetings include: overall strategies, enterprise risk management and internal control, major acquisitions and disposals, annual budgets, interim and annual results, recommendations on Directors' appointment(s) or reappointment(s), matters relating to share capital, approval of major capital projects, dividend policies, and other significant operational and financial matters. All businesses transacted at individual Board meetings are recorded in the minutes of the respective meeting. All Board members have access to the advice and services of the company secretary. If necessary, Directors also have resource to external professional advice at the Group's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

All new Directors, if any, will be briefed about their duties, responsibilities and obligations as a director of a listed company. Newly-appointed Directors are also encouraged to discuss with the chairman any additional information or training they may require, in order to discharge their duties in a more effective manner.

In accordance with the articles of association of the Company ("Articles of Association"), every member of the Board shall retire by rotation at the annual general meeting of the Company at least once every three years. The retiring Directors shall be eligible for re-election at the same annual general meeting.

The Board considers that the Group has sufficient and appropriate liability insurance to cover its Directors and senior management team against any legal liability arising from their performance of their duties.

Directors' Training

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Year, the Directors have participated the following trainings:

	Type of trainings	
	A	B
Executive Directors		
Wang Jian		✓
Kong Zhanpeng		✓
Non-executive Directors		
Fu Qiang		✓
Zhang Yaohui		✓
Independent non-executive Directors		
Ho Lic Ki		✓
Lo Kwing Yu		✓
Yuen Tsz Chun	✓	✓

A: Seminars/conferences relevant to Directors' duties and responsibilities
B: Reading materials given by the Company relating to the Company's business and regular updates on Listing Rules and other applicable regulatory requirements relevant to Directors' duties and responsibilities

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Wang Jian was the Chairman and CEO of the Company during the Year. On 23 March 2017, Mr. Wang Jian has resigned as an executive Director and has ceased to be the Chairman but remains as the CEO of the Group. Currently, the roles of the Chairman and CEO are separate and exercised by different person. Mr. Kong Zhanpeng is the Chairman and is mainly responsible for providing leadership and directions to the Board. Mr. Wang Jian is the CEO, and is responsible for overseeing the Company's operation management and product development.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Ho Lic Ki, Mr. Lo Kwing Yu and Mr. Yuen Tsz Chun have been appointed for an initial term of two years. The terms of all independent non-executive Directors are renewable automatically for successive term of two years each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either party at any time during the then existing term.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

During the Year, Directors' remuneration is as follows:

	2016 HK$'000	2015 HK$'000
Fees	1,341	1,386
Other emoluments:		
Salaries, allowances and benefits in kind	3,600	6,515
Performance-related bonuses *(Note)*	—	450
Payment in lieu of notice	—	600
Pension scheme contributions	18	32
	4,959	8,983

Note:

According to the Directors' service contracts and the supplemental agreements entered into between the Company and the executive Directors, each of the executive Directors is entitled to a basic salary, and the increase in salary of the executive Directors shall be determined by the Remuneration Committee or the Board. In addition, the management bonus of the executive Directors in respect of each financial year of the Company shall be determined pursuant to the mechanism adopted by the Board from time to time, or to be determined by the Board in its absolute discretion. No bonus was paid to the executive Directors during the year ended 31 December 2016. During the year ended 31 December 2015, discretionary bonuses of HK$250,000 and HK$200,000 were approved and paid to an executive Director in respect of the years ended 31 December 2015 and 2014 respectively.

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the Year were as follows:

	2016 HK$'000	2015 HK$'000
Chan Yuk Tong(1)	—	456
Ho Lic Ki	480	465
Lo Kwing Yu	480	465
Yuen Tsz Chun(2)	381	—
	1,341	1,386

Notes:

1. Mr. Chan Yuk Tong resigned as an independent non-executive Director on 24 December 2015.
2. Mr. Yuen Tsz Chun was appointed as an independent non-executive Director on 16 March 2016.

There were no other emoluments payable to the independent non-executive Directors during the Year (2015: Nil).

(b) Executive Directors

The amount of remuneration paid to the executive Directors during the Year was as follows:

	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Payment in lieu of notice HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2016					
Wang Jian[(1)]	—	—	—	—	—
Kong Zhanpeng	3,600	—	—	18	3,618
	3,600	—	—	18	3,618
2015					
Wang Jian[(1)]	—	—	—	—	—
Kong Zhanpeng	3,600	—	—	18	3,618
Lee Chi Yung[(2)]	1,802	450	450	14	2,716
Nie Zhiguo[(3)]	238	—	75	—	313
Wen Gang[(4)]	110	—	75	—	185
Wang Guifeng[(5)]	765	—	—	—	765
	6,515	450	600	32	7,597

Notes:

1. Mr. Wang Jian was appointed as an executive Director on 15 October 2015 and resigned on 23 March 2017.
2. Mr. Lee Chi Yung resigned as an executive Director on 15 October 2015.
3. Mr. Nie Zhiguo resigned as an executive Director on 15 October 2015.
4. Mr. Wen Gang was appointed as an executive Director on 4 June 2015 and resigned on 15 October 2015.
5. Ms. Wang Guifeng resigned as an executive Director on 4 June 2015.

(c) Senior Management

The band of the remuneration of senior management personal and related number of members of senior management personnel are as follows:

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	4	3

ACCOUNTABILITY AND AUDIT

The management of the Company is responsible for providing all relevant information to the Board, giving members with sufficient explanation and information they need to discharge their responsibilities. Board members are provided with monthly updates, including sales updates, projects launched, upcoming projects and financial position, which give the Board members a balanced and understandable assessment of the performance, position and prospects of the Group.

The Directors are responsible for overseeing the preparation of financial statements of each financial year. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards in effect, made judgments and estimates that are appropriate, and prepared the financial statements on a going concern basis. The management is of the view that the Group will continue as a going concern for the reasons stated as set out in point 3 "Material uncertainty relating to going concern" under the section headed "Update on remedial measures" on page 9 of this report.

The Group has announced in its annual and interim results in a timely manner within three months and two months after the end of the relevant period, as required under the Listing Rules.

MANAGEMENT FUNCTIONS

The Board decides on corporate strategies, establishes and maintains appropriate and effective risk management and internal control systems, approves overall business plans and supervises the Group's financial performance, management and organisation on behalf of the Shareholders. Specific tasks that the Board delegates to the Group's management include the preparation of annual and interim accounts for the Board's approval, implementation of strategies approved by the Board, monitoring of operating budgets, implementation of internal controls procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations.

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up its Audit Committee, Nomination Committee, Remuneration Committee and Corporate Governance Committee with clearly defined written terms of reference adopted in compliance with the CG Code. The Company has also set up its CCT Executive Committee and CCT Supervisory Committee to monitor the continuing connected transactions between the Group and the GBT Group.

AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee comprises all three independent non-executive Directors. As at the date of this report, the members of the Audit Committee are Mr. Yuen Tsz Chun (the chairman of the committee), Mr. Ho Lic Ki and Mr. Lo Kwing Yu.

The Audit Committee meets regularly with the Company's senior management and the Company's auditor to review the Company's financial reporting process, the effectiveness of internal controls, audit process and risk management.

The Audit Committee held seven meetings during the Year.

The Audit Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the work performed by the Audit Committee during the Year:

1. The Audit Committee reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgement, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval. Details of the disclaimer opinion and remedial measures are disclosed in the section headed "Update on remedial measures" on page 8 to page 9;

2. The Audit Committee reviewed, in conjunction with the external auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements;

3. The Audit Committee reviewed and monitored the external auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

4. The Audit Committee assessed the independence of the Company's external auditor, prior to formally engaging the external auditor to carry out the audit for the Group's financial statements for the Year;

5. Prior to the actual commencement of the audit, the Audit Committee discussed the proposed scope of work and approach of the audit with the external auditor. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the external auditor on any significant findings and audit issues;

6. The Audit Committee recommended to the Board regarding the appointment and remuneration of the external auditor;

7. The Audit Committee reviewed and approved the internal audit planning, and discussed any significant issues with the internal audit team and the Group's senior management;

8. The Audit Committee reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities;

9. The Audit Committee reviewed the adequacy and effectiveness of the Group's systems of enterprise risk management and internal controls through a review of the work undertaken by the Group's internal auditor and external consultant and discussions with the Board;

10. The Audit Committee reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group's senior financial management and internal audit, and discussions with the Board.

The revised term of reference of Audit Committee was published on the respective websites of the Stock Exchange and the Company on 14 March 2016.

NOMINATION COMMITTEE

At the date of this report, the Nomination Committee comprises of an executive Director, Mr. Kong Zhanpeng (the chairman of the committee), and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Lo Kwing Yu. Mr. Kong Zhanpeng is the chairman of the Nomination Committee. The duties of the Nomination Committee are, among others, determining policy for the nomination of directors, including the nomination procedures, processes and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the Year. The Nomination Committee also reviews the structure, size and composition of the Board and to makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" in this report.

The Nomination Committee held two meetings in 2016.

The Nomination Committee has reviewed the structure, size and composition of the Board, assessed the independence of independent non-executive Directors and made recommendation to the Board on the appointment of directors in the forthcoming annual general meeting ("AGM").

REMUNERATION COMMITTEE

At the date of this report, the members of the Remuneration Committee include an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, Mr. Ho Lic Ki (the chairman of the committee) and Mr. Lo Kwing Yu. Mr. Ho Lic Ki is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, as well as on Group's policy and structure for the remuneration of Directors and senior management. The Remuneration Committee also assesses performance of executive Directors and approves the terms of executive Directors' service contracts.

In 2016, the Remuneration Committee held three meetings to review and make recommendations to the Board remuneration packages of the individual executive Directors and the senior management.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes. The Corporate Governance Committee comprises of an executive Director, Mr. Kong Zhanpeng and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Yuen Tsz Chun (the chairman of the committee).

The Corporate Governance Committee held one meeting in 2016.

During the Year, the Corporate Governance Committee did the following work:

1. Reviewed the Company's policies and practices on corporate governance and made recommendations to the Board.

2. Reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.

3. Reviewed the Company's compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report issued by the Stock Exchange.

4. Ensured that good corporate governance practices and procedures are established.

Save as disclosed on page 17 of this report, the Corporate Governance Committee considered that the Company has complied with all code provisions in the CG Code during the Year.

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The CCT Executive Committee is responsible for monitoring, reviewing and managing the CCT between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare the CCT reports and submitting the same to the CCT Supervisory Committee on regular basis. As at the date of this report, the members of the CCT Executive Committee are Mr. Wang Hongshan and Mr. Wen Gang, both being senior management of the Group.

During the Year, the CCT Executive Committee held twelve meetings.

CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee that comprises all independent non-executive Directors was established by the Board to supervise the CCT Executive Committee. The main responsibilities of the CCT Supervisory Committee, among others, are:

(1) to devise and revise detailed rules and guidelines ("Prescribed Guidelines") from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with the GBT Group, which are not qualified for exemptions or waivers from the Shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules ("Non-exempt CCT"), will be entered into in accordance with the respective agreements ("Master Agreements") entered into between the Group and the GBT Group, on normal commercial terms or better and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(2) to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to purchase of corn starch from the GBT Group by the Group and the distribution of lysine and other corn refined products of the GBT Group by the Group ("Proposed Sale and Purchase and Consignment Sale") as to whether they have been proceeded with in accordance with the Prescribed Guidelines (the "CCT Quarterly Reports");

(3) in respect of the provision of utility services (the "Utility Services") by the GBT Group to the Group, to review the CCT Quarterly Reports from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the previous quarter, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group, and to recommend the Board to take action in recovering any excessive fees charged by the GBT Group; and

(4) to report its findings on review of the CCT Quarterly Reports to the Board and give recommendations to the Board to ensure the transactions will be entered into in the interests of the Group and the Shareholders as a whole.

The principal terms of the prevailing Prescribed Guidelines are set out below:

(1) the Group shall not purchase corn starch from the GBT Group, distribute the lysine and other corn refined products of the GBT Group or obtain the Utility Services from the GBT Group, unless the GBT Group shall agree that the purchase prices and fees payable and other commercial terms for these transactions shall be determined in the manner as prescribed under the Prescribed Guidelines;

(2) in order to ascertain the prevailing market rates of corn starch in the form of starch slurry or powder from time to time and to ensure that the terms offered by the GBT Group to the Group are on normal commercial terms, pursuant to the Prescribed Guidelines, the CCT Executive Committee would obtain market selling prices of corn starch according to the following procedures:

(i) the CCT Executive Committee will obtain quotation from at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) independent third party supplier(s) and compare it with the terms offered by the GBT Group for the supply of corn starch of comparable quantities and specifications to its independent third party customers;

(ii) the total purchase price and terms for the purchase of corn starch in the form of corn starch slurry shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its independent customers, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its independent customers for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such independent supplier(s) for the relevant month up to the price determination date; and

(iii) the total purchase price and terms for the purchase of corn starch in the form of corn starch powder shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its independent customers for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such independent supplier(s) for the relevant month up to the price determination date.

(3) in respect of the distribution of lysine and other corn refined products of the GBT Group by the Group:

(i) prior to, for any calendar month, the sale of any lysine and other corn refined products of the GBT Group by the Group as a distributor of the GBT Group in the Huadong Region, to the customers of the Group, and the purchase of the consignment stock of lysine and other corn refined products, the CCT Executive Committee should obtain from the GBT Group the prevailing ex-factory price of the relevant lysine and other corn refined products and other major commercial terms (including credit terms) then offered by the GBT Group to its independent third party distributors or customers of the relevant calendar month; and

(ii) the supply and sale of the consignment stock of lysine and other corn refined products by the GBT Group to the Group in the relevant calendar month should be settled within seven business days before the end of the relevant calendar month (the "Lysine Settlement Date"). The purchase price of the consignment stock of lysine and other corn refined products sold by the Group during the relevant calendar month shall be the prevailing ex-factory price of the relevant lysine and other corn refined products then offered by the GBT Group, plus the actual additional packaging, transportation and/or insurance costs to be incurred by the GBT Group for the transportation and delivery of the relevant lysine and other corn refined products to the facilities of the members of the Group as from time to time designated by the Group. The CCT Executive Committee should obtain from the GBT Group before Lysine Settlement Date the evidences and detailed calculation of the actual costs of additional packaging, transportation and/or insurance cost incurred by the GBT Group.

(4) the CCT Executive Committee shall submit to the CCT Supervisory Committee a quarterly report within 15 days from the end of each quarter in relation to the Proposed Sale and Purchase and Consignment Sale during the quarter;

(5) in the event that there is any deviation from the terms of the relevant Master Agreements and/or any non-compliance with the Prescribed Guidelines in respect of any Non-exempt CCT entered into by any member of the Group during the period covered by the quarterly report, the CCT Supervisory Committee may request the Group to take such procedures (including price adjustments) as the CCT Supervisory Committee may consider appropriate to rectify such deviation or non-compliance; and

(6) the auditor of the Group will be engaged to review the Non-exempt CCT on a quarterly basis, and shall report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.56 of the Listing Rules.

Four meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Sale and Purchase and Consignment Sales and the Utility Services entered into by the Group with the GBT Group during the Year. Details of findings have been published on 23 August 2016, 8 November 2016 and 23 March 2017. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase and Consignment Sale conducted during the Year were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services during the Year had been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the Shareholders.

Auditor’s Remuneration

Auditor’s remuneration of HK$3,500,000 was incurred for the audit of the Group’s consolidated financial statements and HK$201,901 was incurred for the audit of the financial statements of the subsidiaries of the Company located in the PRC for the year ended 31 December 2016.

During the Year, the following amounts were paid as professional fee to Mazars CPA Limited and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$’000
Taxation compliance	12
Others	915
Total	927

COMPANY SECRETARY

The company secretary of the Company, Mr. Lee Chi Yung, is responsible for supporting the Board, ensuring good information flow within the Board and Board policies and procedures are followed, advising the Board on corporate governance matters, facilitating induction, and monitoring the training and continuous professional development of Directors. He has attained no less than 15 hours of relevant professional training during the Year. Mr. Lee’s biography is set out on page 16 of this report.

INVESTOR RELATIONS

The Group establishes and maintains different communication channels with its Shareholders through the publication of annual and interim reports, information on the Stock Exchange, a corporate website, and general and investor meetings held either face-to-face or via telephone conference calls. The Group reports to its Shareholders twice a year and maintains a regular dialogue with investors.

The annual general meetings provide a useful forum for Shareholders to exchange views with the Board. The Chairman, all members of the Board committees and the external auditor will also attend the AGM to answer questions from the Shareholders.

The notice of AGM will be distributed to all Shareholders at least 20 clear business days prior to the AGM. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of Directors. Details of the proposed resolutions will be contained, where necessary, in circulars of the Company. The chairman of the AGM shall exercises his/her power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll will be explained at the meeting. Poll results will be posted on the websites of the Company and the Stock Exchange after the meeting.

A Shareholders' communication policy (the "Policy") was adopted by the Company to maintain an on-going dialogue with the Shareholders and encourage them to communicate actively with the Company. The Company will review the Policy on a regular basis to ensure its effectiveness.

As of 31 December 2016, details of Shareholders by type and aggregate shareholding are as follow:

	Number of shares held	Percentage of shareholding	Market capitalisation (HK$million)
GBT	978,278,000	64.04	229.90
Kong Zhanpeng *(Note 1)*	1,984,000	0.13	0.47
Public float in Hong Kong	547,324,000	35.83	128.61
Total	1,527,586,000	100.00	358.98

Notes:

1. The shares held by Mr. Kong Zhanpeng were not counted as part of public float by virtue of him being an executive Director.

On 16 February 2016, an Extraordinary General Meeting (the "EGM") was held to approve, among others, remove Ernst & Young as the auditor of the Company and appoint Mazars CPA Limited as the auditor of the Company and to authorise the Board to fix their remuneration. All resolutions proposed were passed by way of poll.

On 8 April 2016, an EGM was held to approve (i) the master agreement in relation to the purchase of corn starch and the supply of electricity, water and steam and provision of wastewater treatment services to be entered into between the Company and GBT and the related annual caps, and the distribution of its lysine and other corn-refined products of the GBT Group from time to time to be entered into between the Company and GBT and the related annual caps, and (ii) to re-elect director and to authorise the board of directors to fix the director's remuneration. All resolutions proposed were passed by way of poll.

The 2016 AGM was held on 6 June 2016 to approve the 2015 audited financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of Directors. All resolutions proposed were passed by way of poll.

On 21 June 2016, an EGM was held to approve the Property Disposal Agreement and Asset Disposal Agreement. All resolutions proposed were passed by way of poll.

On 22 September 2016, an EGM was held to approve the New Financial Guarantee Contracts (as defined in this report). The resolution proposed was passed by way of poll.

The 2017 AGM will be held on 22 May 2017 to approve, among others, the 2016 audited financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

Internal control

The Board is entrusted with the overall responsibility of establishing, maintaining and assessing the Group's internal control and risk management systems and its effectiveness. The role of the Group's management is to implement all policies on risk and control laid down by the Board.

The Group's internal control and risk management systems are designed to provide reasonable protection to the Group's assets, and to safeguard these assets from unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure accounting records are sufficiently accurate for the preparation of financial information used for operation and reporting purposes.

The Group's internal control framework covers (i) the setting of objectives, budgets and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority; and (iv) the establishment of clear lines of accountability.

The Group formulates code of conduct to state the Company's expectations on duty and integrity. Whistleblowing policy enables our employees to bring problems to management which considers necessary to make our internal control system effective.

Monthly financial information and variance analysis are provided to Directors and quarterly financial reviews are discussed at Board meetings for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organisation structure exists which details different levels of authority and control responsibilities within each business unit of the Group. Certain specific matters are reserved for the Board's decision and are not delegated. These include, amongst others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, Board structure and its composition and succession.

The role of the Audit Committee is, through discussion with management and engagement of external consultants, to review annually the effectiveness of internal control and risk management systems, including financial, operational and compliance controls and risk management functions, and to report to the Board any significant risk issues. The annual review also includes the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

No matter how well an internal control system is designed and maintained, it can only provide reasonable, but not absolute, assurance. No system of control can totally eliminate the possibility of human errors and deliberate attempts to defraud the Company. As such, the Group maintains an effective internal audit function that is independent from operational management to carry out risk-based auditing concentrating on areas with significant risks or where significant changes have been made. The Board also endeavours to ensure internal auditors are fully empowered with access to all data and every operation of the Group, as well as provided with adequate resources and well qualified and capable staff.

Internal audit department

The Group established an Internal Audit Department in 2015 which plays a critical role in monitoring the governance of the Group. Internal Audit Department reports directly to the Audit Committee and it has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work. The annual work plan and resources are reviewed and agreed with the Audit Committee.

Business unit audits are designed to provide assurance that the internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed. The frequency of each audit is determined by Internal Audit Department using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous internal audit results, external auditors' comments, output from the work of the Audit Committee and management's views. Each business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months.

Internal Audit Department assists the Audit Committee in assessing the effectiveness of the Group's internal controls through the review of the annual control self-assessment process. Internal Audit Department also conducts ad-hoc projects and investigative work as required by management or the Audit Committee.

Copies of internal audit reports are sent to the Audit Committee, CEO, the finance controller and the external auditor. Management is called upon to present action plans in response to internal auditor's recommendations.

Inside information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to the Company's attention and/or it is the subject of a decision unless it falls within the Securities and Futures Ordinance safe harbors. Such disclosure should comply with the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively. All these have been included in its code of conduct. Employees or Directors possessing relevant inside information should report the same to the executive Director, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly. Senior managers of the Group are then identified and authorised to act as the Company's spokespersons and respond to enquiries in allocated areas of issues. Unauthorised use of confidential or inside information is strictly prohibited. The Group has also established and implemented procedures for responding to external enquiries about the Group's affairs.

Group Risk Management

Risk is inherent in the Group's business and the markets in which it operates. It is of utmost importance for the management to identify, understand and manage these risks in order to minimise, transfer and avoid them. This demands a proactive approach to risk management and an effective risk management framework.

The Group's overall risk management is overseen by the Board. The Company recognises that risk management is the responsibility of everyone within the Group. Rather than being a separate and standalone process, risk management has been or will be integrated into business processes including strategy development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

The Company established its Enterprise Risk Management ("ERM") process with the 'three lines of defence' model to manage operational risks. Such approach makes clear everyone's duty and responsibility within the Group to manage operational risks on a daily basis. The first line of defence is the management controls of the Group that directly identifies, records, reports and manages to mitigate the risks. The second line sets guidelines and regulation, and monitors and facilitates the implementation of effective risk management practices. The third line of defence is the Group's Internal Audit team's efforts, from risk identification, assessment and response to risk related communication.

Our risk management objectives:

- Strategic level: The Company focuses on the identification and management of material risks at different levels – the Group, business units and functional units so as to better position the Company in pursuing its strategic and business objectives. In seeking growth opportunities, the Company strives to optimise risk/ return tradeoffs while establishing strong and independent review and challenge processes.

- Operational level: The Company aims to identify, assess, evaluate and minimise operational hazards and risks to create a safe, healthy and efficient workplace for its employees while respecting our community and neighbourhood to ensure public safety and health, and minimising our environmental footprint.

The Company's risk appetite represents the amount of risk the Group is willing to undertake in pursuit of its strategic and business objectives. In line with the Company's value and expectations of its stakeholders, the Company will only take reasonable risks that fit its strategy and have been assessed, understood and therefore manageable; and such risks should not expose the Group to:

— material financial loss that substantially impacts the Group's ability to execute its business strategy and long-term financial well-being,

— consequence that affects the safety and health of our staff and the public,

— material breach of regulations and subsequently leading to the deterioration of the Group's reputation and brand name,

— business/supply interruption leading to severe impact on the community, and severe environmental incidents.

In March 2016, the Company engaged PricewaterhouseCoopers Consulting Hong Kong Limited to assist the management to establish the ERM systems with reference to the COSO ERM framework, where major risks were identified and analysed. Management and employees, assisted by external consultants with particular experience in the design and implementation of internal control systems, have evaluated our control environment and conducted risk assessments of businesses and processes, both at the entity level and the various processes/ transactions levels. The Group has documented those processes which are critical to the Group's performance. Within this exercise, key risks have been identified, along with the controls required to mitigate those risks, after which, such key risks and controls are continually reviewed and updated on an annual basis. High-risk key controls are tested annually by the management and internal auditors. Based on the results of those tests, process owners are able to represent to senior management that their internal controls are working as intended or that necessary corrections have been made where control weaknesses have been found. Internal auditors report to senior management that controls have been working properly or that changes have been made to ensure the integrity of financial statements. The external auditor also tests the key controls to the extent that they will be relied on for the audit. During the Year, the Board has identified a number of risks and uncertainties for the Group to deal with:

Principal Risks and Uncertainties

Risk Description	Changes in 2016	Key Risk Mitigations
Financial Risks:		
Liquidity risk of inadequate funding	The Company maintains continuous dialogue with banks in order to secure banking facilities	Negotiation with local government for policy endorsement of subsidy and funding
Inability to obtain adequate funding on time	Termination of dispose of land and building and assets	Actively look for new potential buyer utilising major shareholder's network
Compliance Risks:		
Non-compliance with Listing Rules and other ordinances	Engaged external expert to establish the Group's ERM systems	Series of internal control policies were issued and further implementation of control systems were carried out following the external expert's comments Continued to provide training to PRC and HK staff
Investment Strategy Risks:		
Mismatch between market forecast and investment expectations	Speeded up relocation plan from Luyuan District, Changchun to Xinglongshan, Changchun	Constantly update the feasibility studies for more precise forecast Engage in strategic collaboration with major clients to strengthen corporate competence
Market Risks:		
Over supply in corn starch segment	Market sentiment improved Agricultural policy reforms in China has eased corn price, coupled with the depreciation of RMB, competitiveness of Chinese products enhanced in overseas markets	Dedicate to research and development for more value added downstream products Focus on customer relationship management to maintain amicable cooperation

In 2016, the Internal Audit Department conducted a review on the effectiveness of the risk management and internal control systems of the Group, and where weaknesses are identified, means for improvement are recommended to the Audit Committee. The Board has reviewed the effectiveness of the Group's risk management and internal control systems based on the assessment of the Audit Committee. The Company has complied with the CG Code on internal controls and risk management during the Year.

CORPORATE SOCIAL RESPONSIBILITY

To stay competitive, it is the priority of the Group to ensure its long-term sustainability. In pursuing this goal, apart from financial performance, the Group also strives to enhance its social and environmental performances through stakeholders' engagement. The Group's corporate social responsibility ("CSR") strategies aim at building social capital which creates bonding internally as well as communication channels externally, so as to maintain tight relationship with our stakeholders. This will ultimately uphold the Group's moral obligations and lead to high efficiency and moral standard.

Environmental policy and performance

The Group has strong awareness on environmental conservation and places it as important as our business development. It is the Group's mission to maintain environmental sustainability together with its business growth.

To achieve this, the management of the Group is committed to:

1. continuously improving production efficiency and lower greenhouse gas emission through our research and development efforts;

2. reducing waste disposal and impose stringent wastewater treatment standards against the discharge of pollutants;

3. promoting use of recycled materials and renewable resources;

4. promoting sustainable use of energy, water, crops and other raw materials;

5. promoting energy conservation;

6. minimising the impact on biodiversity and ecosystem;

7. complying with the relevant environmental regulations in all production facilities.

The Group has supervising team set up in each subsidiary to monitor emission of gas, discharge of waste water and generation of hazardous and non-hazardous wastes. The supervising teams are responsible for the formulation of emission/discharge control procedures and environmental protection measures, regular check and evaluation of emission standards, and ensuring those standards are in compliance with the relevant national and local environmental regulations.

All major production sites of the Group in the PRC have their own wastewater treatment facilities in place to remove physical, chemical and biological contaminants from wastewater (from both industrial and domestic sewage in the production sites), with the objective to produce an environmentally-safe sewage discharges and recycle uses. Monitoring devices are placed at all discharge outlets of the Group's wastewater treatment facilities and connected with the local Environmental Bureau's network to keep track of emission data such as Chemical Oxygen Demand (COD) value. Such data is also subject to real time monitor by the Environment Protection Information Centre of the City as well as the Provincial Environmental Protection Information Centre.

The Group's production processes would emit certain greenhouse gases such as sulfurdioxide and nitrogen oxide. Same as the arrangement for wastewater treatment, monitoring devices are placed at all emission outlets and are subject to real time monitor by the Supervising Teams and the local as well as the provincial Environmental Bureau.

With respect to the cinder produced by the power plants, it will be sold as raw material for the production of cinder blocks after treatment.

Compliance with laws and regulations

During the year ended 31 December 2016, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on our business and operation.

Key relationships with employees, customers and suppliers

Employee

The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

The Group is committed to providing a safe and non-hazardous working environment for all staff. Apart from keeping update on the latest regulations by local and national authorities and government bodies, the Group reviews the working environment in each operation sites from time to time to ensure the health and safety of all staff. Such measures includes those internal control procedures such as setting up a team to inspect the production sites from time to time, reporting any work related accidents, remedies and improvement measures to be taken to the management in a timely manner, etc. All employees are trained before they commence carrying out their duties to ensure they are fit for the job and continuous training are provided to minimise chance of work related accidents.

The Group has stringent recruitment procedures to avoid child or forced labour. The Group's labour standards and recruitment procedures are in compliance with all the local as well as national labour regulations. Human Resources Department of each subsidiary will handle all staff-related matters including recruitment, remuneration, training and other welfares to make sure they comply with the relevant labour regulations.

Customers and suppliers

The Group's customers and suppliers are our key stakeholders in the pursuit of the Group's long-term business goals. Customer and supplier relationship management is one of the priorities of the Group during the course of business. Understanding the capabilities of our suppliers is as important as understanding the needs of our customers.

Ensuring product quality and safety products has always been the mission of the Group. The Group has stringent control in every process, from supply chain management, production processes, packaging, to delivery to customers. With respect to supply chain management, the Group has respective guidelines and policies in place for all staff when carrying out their duties. For the engagement of suppliers, the Group implements a stringent supplier certification process. Every supplier is required to go through a list of assessment procedures before getting qualified as the Group's supplier

Anti-corruption

The Group adopts zero tolerance policy to corruption. Under no circumstances shall a Group member offer or take bribes for personal earnings from business dealings (may it be in the form of commission, loan, gifts, services or offering/ accepting a position in an organisation). For business related entertainment expenses, employees are required to follow the company policies strictly and submit the relevant applications and declarations where applicable, to suppress any bribery, fraudulent and corrupt practice which would adversely affect the reputation and operations of the Group.

Community

Our commitment to the community also involves our people. The Group organised various extracurricular and social activities for our employees regularly and encourage our employees to participate in community investment activities.

Environmental, Social and Governance Report

The Company has been publishing the Environmental, Social and Governance reports (the "ESG Reports") on the Company's website on an annual basis. The 2016 ESG Report will be available on or before 30 June 2017. Please view and download the ESG Reports from the Company's website at www.global-sweeteners.com under the heading "Investor Relations".

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to convene an extraordinary general meeting

1.1 The following procedures for Shareholders to convene an EGM of the Company are prepared in accordance with article 64 of the Articles of Association:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at contact@global-sweeteners.com.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedures for raising enquiries

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section headed "Corporate Information" of this annual report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at contact@global-sweeteners.com.

2.3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

3. Procedures and contact details for putting forward proposals at Shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at contact@global-sweeteners.com.

3.2 The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholders concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

(2) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

REPORT OF THE DIRECTORS

The Directors hereby present their report and the audited financial statements of Global Sweeteners Holdings Limited and its subsidiaries for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based sweetener products. Details of the principal activities of the principal subsidiaries are set out in note 33 to the financial statements.

BUSINESS REVIEW

A business review of the Group and an analysis of the Group's performance using financial key performance indicators during the year are provided in the Message to Shareholders, and Management Discussion & Analysis on pages 7 to 14 of this report. In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the ESG Reports disclosed in the Company's website.

The principal risks and uncertainties are disclosed in Corporate Governance Report under section headed "Risk Management and Internal Control" on page 31 on this report. Particulars of important events affecting the reporting entity that have occurred since the end of the financial year are disclosed in Management Discussion & Analysis under section headed "Event Subsequent to the Year Under Review" on page 13 of this report. An indication of likely future development of the Group is disclosed in Management Discussion & Analysis under section headed "Future Plans and Prospects" on page 14 of this report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2016 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 53 to page 111.

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2016 and the published combined financial information of the Group for the four years ended 31 December 2012, 2013, 2014 and 2015, as extracted from the audited financial statements and restated as appropriate, is set out on page 112. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 27 and note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company does not have reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the "Companies Law") of the Cayman Islands. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$1,074,879,000 as at 31 December 2016 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 37.2% of the total sales for the Year and sales to the largest customer included therein accounted for approximately 13.8% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for approximately 26.3% of the total purchases for the Year, and purchases from the largest supplier included therein accounted for approximately 8.4% of the total purchases of the Year.

None of Director of the Company or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were:

Executive Directors:
Kong Zhanpeng
Zhang Zihua *(appointed on 23 March 2017)*
Wang Jian *(resigned on 23 March 2017)*

Non-executive Directors:
Fu Qiang *(resigned on 23 March 2017)*
Zhang Yaohui *(resigned on 23 March 2017)*

Independent non-executive Directors:
Ho Lic Ki
Lo Kwing Yu
Yuen Tsz Chun *(appointed on 16 March 2016)*

According to article 108(A) of the articles of association of the Company, not less than one-third of the Directors shall retire from office by rotation at each AGM of the Company. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Lo Kwing Yu and Mr. Yuen Tsz Chun, being the independent non-executive Directors, will retire as Directors and, being eligible, will offer themselves for re-election as Directors at the AGM.

In addition, pursuant to article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office until the next general meeting of the Company (in the case of a Director appointed to fill a casual vacancy) or the next AGM of the Company (in the case of a Director appointed as an additional Director) and shall then be eligible for re-election at the meeting. By virtue of article 112 of the Articles of Association, the office of Mr. Zhang Zihua will end at the AGM. Mr. Zhang Zihua being eligible, will offer himself for re-election as Director at the AGM.

The Company has received annual confirmations from each of Mr. Ho Lic Ki, Mr. Lo Kwing Yu and Mr. Yuen Tsz Chun of their independence during the Year. As at the date of this report, the Company still considers all independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on page 15 to page 16 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Kong Zhanpeng and Mr. Zhang Zihua have entered into service contracts with the Company for an initial term of three years which commenced on 1 September 2007 and 23 March 2017, respectively and renewable automatically for successive term of one year. Each of the above service contracts and appointment letters may be terminated by either party by giving not less than three months' written notice.

The independent non-executive Directors, Mr. Ho Lic Ki, Mr. Lo Kwing Yu and Mr. Yuen Tsz Chun have entered into appointment letters with the Company for an initial term of two years which commenced on 1 September 2009, 3 March 2014 and 16 March 2016 respectively, and are renewable automatically for successive term of two years. Each of the above appointment letters may be terminated by either party by giving not less than three months' written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Save that Mr. Kong Zhanpeng, being an executive Director, was indirectly interested in the contracts made between the Group and the GBT Group as disclosed in the paragraph headed "Continuing Connected Transactions" of this report, and Mr. Zhang Zihua, by virtue of him being an executive Director of the Company and GBT, was deemed to have a material interest in the transaction, save as above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2016 and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the articles of association of the Company being in force. The Company has maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover certain legal actions brought against its directors and officers arising out of corporate activities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the Year.

CONTRACT OF SIGNIFICANCE

Save as disclosed on page 45 under continuing connected transactions, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the year.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective since 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

The following share options have lapsed under the Scheme of the Company during the Year:

Participants	Outstanding as at 1 January 2016	Granted during the Year	Cancelled or lapsed during the Year	Exercised during the Year	Outstanding as at 31 December 2016	Date of grant of share options	Exercise period of share options	Vesting period of share option	Exercise price of share options HK$ per share	Closing price immediately before the grant date HK$ per share
Kong Zhanpeng	6,000,000	–	(6,000,000)	–	–	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	–	(2,000,000)	–	–	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees	6,000,000	–	(6,000,000)	–	–	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participants	2,000,000	–	(2,000,000)	–	–	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
	16,000,000	–	(16,000,000)	–	–					

Further details of the Scheme are disclosed in note 28 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions in the Share, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	The Company/ name of associated corporation	Capacity/Nature of interest	Number and class of securities held *(Note 1)*	Percentage of the relevant class of issued share capital of the Company/ associated corporation
Kong Zhanpeng	The Company	Interest of a controlled corporation	1,984,000 Shares (L) *(Note 2)*	0.13
	GBT	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.29
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) *(Note 3)*	3.78

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporation.

2. These shares are held by Hartington Profits Limited.

3. These 241,920,000 shares are held by Hartington Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.

Saved as disclosed above, as at 31 December 2016, none of the Directors and the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors Interest and Short Positions in Shares and Underlying Shares" above, at no time during the Year were rights to acquired benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares held *(Note 1)*	Percentage of Company's issued share capital
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 Shares (L)	64.01
GBT	Interest of a controlled corporation *(Note 2)*	977,778,000 Shares (L)	64.01
	Beneficial owner	500,000 Shares (L)	0.03
Modern Agricultural Industry Investment Limited	Interest of a controlled corporation *(Note 3)*	978,278,000 Shares (L)	64.04

Notes:

1. The letter "L" denotes the person's interest in the share capital of the Company.

2. These Shares are registered in the name of Global Corn Bio-chem, which is a wholly-owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the shares in which Global Corn Bio-chem is interested according to the SFO.

3. These Shares are registered in the name of or deemed to be interested by GBT, which is owned as to approximately 49% by Modern Agricultural Industry Investment Limited. The entire issued capital of Modern Agricultural Industry Investment Limited is held by Modern Agricultural Industry Investment Holdings Limited which is in turn wholly owned by Jilin Province Modern Agricultural Industry Investment Fund (LLP) ("PRC LLP"). The sole general partner of PRC LLP was Jilin Province Modern Agricultural Industry Fund Limited, and Jilin Changjitu Investment Co., Ltd. was 40% limited partner of PRC LLP, Yinhua Wealth and Capital Management (Beijing) Co., Ltd. is 26.7% limited partner of PRC LLP, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou") was 20% limited partner of PRC LLP, while Changchun Emerging Industry Equity Investment Fund Co., Ltd. is 13.3% limited partner of PRC LLP. Jilin Province Modern Agricultural Industry Fund Limited was wholly owned by Jilin Changjitu Investment Co., Ltd. whose 69.62% of its interest is owned by Jiaotou. Jiaotou is 71.43% owned by 吉林省人民政府國有資產監督管理委員會 (Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province). Each of Modern Agricultural Industry Investment Limited, Modern Agricultural Industry Investment Holdings Limited, PRC LLP, Jilin Province Modern Agricultural Industry Fund Limited, Jilin Changjitu Investment Co., Ltd., Jiaotou and 吉林省人民政府國有資產監督管理委員會 (Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province) were deemed to be interested in Shares in which GBT was interested.

Saved as disclosed above, no person, other than the Directors and chief executive of the Company, as of 31 December 2016, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the Year, save as disclosed in this report, the Group had the following connected transactions or continuing connected transactions with the GBT Group. Save as disclosed below and in this report, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules:

Sourcing of utilities services

Pursuant to the utilities master supply agreement dated 8 April 2016, the GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Group's production plants at Changchun on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. Under the utilities service master supply agreement, the fees payable by the Group shall be settled on a monthly basis and shall be payable by the Group within 90 days after the date of the relevant invoice issued by the GBT Group. During the Year, the GBT Group charged the Group HK$3 million for the provision of these utilities services.

Purchase of corn starch

Pursuant to the corn starch master purchase agreement dated 8 April 2016, the Group has been sourcing corn starch either in the form of starch powder or starch slurry, from the GBT Group as one of the principal production materials for the Group's production. Under the corn starch master purchase agreement, the prices shall be from time to time determined by the relevant members of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would be set out in the purchase order for each order to be placed under the corn starch master purchase agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. During the Year, purchase of corn starch from the GBT Group by the Group amounted to HK$90 million.

Distribution of lysine and other corn refined products

Pursuant to the master sales agreement dated 8 April 2016, the Group has been appointed by GBT Group as the distributor for the distribution of lysine and other corn refined products in Huadong Region. Under the master sales agreement, the purchase prices of the consignment stock of lysine and other corn refined products shall be the prevailing ex-factory price of the relevant lysine and other corn refined products then offered by GBT Group to its independent third party distributors or customer, plus the actual additional packaging, transportation and /or insurance cost to be incurred by the GBT Group for the transportation and delivery of the relevant lysine and other corn refined products to facilities of the member of the Group from time to time designated by the Group. The terms and conditions of each sales and purchase (including payment terms) shall in any event be no less favorable to the Group than those offered by GBT Group to independent third party distributor(s) of its lysine and other corn refined products and purchase prices shall be payable by the Group within 30 days after the date of the relevant invoice issued by the Group to the Group (that is, approximately 60 days from delivery of the products), or such longer period as the parties may agree.

During the Year, purchase of consignment stock of lysine and other corn refined products from the GBT Group amounted to HK$10 million.

The GBT Group holds in aggregate 64.04% interest in the share capital of the Company. The above transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; (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; and (iv) the aggregate consideration charged by or to the Group in respect of the continuing connected transactions during the Year had not exceeded the respective caps as set out in the relevant announcements. The auditor of the Company have confirmed that the continuing connected transactions have complied with the matters as set out in Rule 14A.56 of the Listing Rules.

Save for the aforementioned continuing connected transactions and connected transactions disclosed in this report, the related party transactions disclosed in note 31 to the financial statements are either exempted connected continuing transactions or non-exempted continuing connected transactions which have complied with the requirement of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

NON-COMPETE UNDERTAKINGS

Mr. Kong Zhanpeng, an executive Director, is interested in approximately 4.07% of the issued share capital of GBT through his interest as beneficial owner and his interest in Hartington Profits Limited. The GBT Group is engaged in, among other things, the production and sale (the "Excluded Business") of corn starch, steepwater liquid, corn oil, germ cake, corn fibre feed, corn gluten meal, corn gluten feed pellets and other co-products ("Co-Products"). Pursuant to a non-compete undertaking ("Non-compete Undertaking") given by GBT and Global Corn Bio-chem dated 3 September 2007 in favour of the Group (as supplemented by a waiver executed by the Company to GBT and Global Corn Bio-chem dated 24 September 2008), the GBT Group is restricted from engaging in any business that may compete with the business of the Group from time to time.

The Group is principally engaged in the manufacture and sale of various corn sweeteners, which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The production and sale of corn starch and Co-Products are not the core business of the Group and the management team of the Group is substantially independent from the management team of the GBT Group. The core business of the Group is not dependent or otherwise rely on the sales of corn starch and/or the Co-products and also given the execution of the Non-compete Undertaking, the Directors consider that the Group is capable of carrying on its own business independently of, and at arm's length from, the Excluded Business.

During the Year and up to the date of this report, save as disclosed above, no Director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the Directors of the Company were appointed as Directors to represent the interests of the Company and/or the Group.

DISCLOSURE PURSUANT TO RULE 13.19 OF THE LISTING RULES

Reference is made to the joint announcement of GBT and the Company dated 31 October 2016. Under the various loan agreements (the "Loan Agreements") entered into between Jinzhou Yuancheng Bio-chem Technology Co., Ltd.（錦州元成生化科技有限公司）("Jinzhou Yuancheng"), which is an indirect wholly owned subsidiary of the Company, and Jinzhou Branch of China Construction Bank（中國建設銀行股份有限公司錦州分行）(the "Lender") in respect of a 18-months fixed term loan in the aggregate principal amount of RMB224 million due September 2017 guaranteed by certain members of the Group (the "Loan"), Jinzhou Yuancheng is required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. Based on the unaudited management accounts of Jinzhou Yuancheng for the year ended 31 December 2016, Jinzhou Yuancheng has failed to fulfill certain financial covenants under the Loan Agreements. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions ("Cross Default") in other loan agreements entered into by the Group in the aggregate outstanding principal amount of approximately RMB218 million. Save for the Cross Default, the breach has not resulted in any triggering of cross default provisions of other loan agreements and/or banking facilities entered into by the GBT Group or the Group. The Group has received a waiver from the Lender for waiver of right of the Lender to cancel the available undrawn facility under the Loan Agreements. The Group has yet to receive a waiver from the Lender for waiver of other remedies available to the Lender which include among others, declaring the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreements immediately due and payable. Despite the above non-compliance, the Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. The Group is also in the process of applying for relevant waivers from other lenders in relation to the breach of the cross default provisions. Further announcement(s) regarding the Loan and status of the waivers will be made as and when appropriate.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to a supplier

Reference is made to the announcement of the Company dated 31 March 2015, financial guarantees were first granted by certain subsidiaries of the Company during November 2010 to March 2015 (the "Previous Financial Guarantee Contracts").

As disclosed in the joint announcement of the Company and GBT dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the previous loan advanced by 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") to Dajincang expired between August to November 2016. To avoid immediate demand for full repayment of the previous supplier loan by the guarantors or any of them pursuant to the Previous Financial Guarantee Contracts, new loan agreements were entered into by the Supplier and BOC, and new supplier guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by a subsidiary of the Company to BOC to guarantee the obligations of the Supplier under the new supplier loan (the "New Financial Guarantee Contracts", together with the Previous Financial Guarantee Contracts, collectively the "Financial Guarantee Contracts").

The maximum principal amount guaranteed under the Financial Guarantee Contracts is RMB2.5 billion. Since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose the Financial Guarantee Contracts in its reports and annual reports during the relevant periods when the Financial Guarantee Contracts are in effect.

For further information in relation to the above mentioned matters, refer to the announcements of the Company dated 31 March 2015 and 8 August 2016, and the circular of the Company dated 6 September 2016.

SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

Change of auditor of the Company

Reference is made to the announcement of the Company dated 16 February 2016. Upon the approval of the shareholders of the Company at the extraordinary general meeting of the Company convened on even date, Ernst & Young had been removed as the auditor of the Company. Mazars CPA Limited had been appointed as the auditor of the Company in place of Ernst & Young until the conclusion of the annual general meeting of the Company and was re-appointed at the annual general meeting of the Company as the auditor of the Company. As detailed in the announcement of the Company dated 15 January 2016, Ernst & Young had been removed as the auditor of the Company as Ernst & Young had not been able to reach an agreement with the Company in relation to the audit fee payable for the financial year ended 31 December 2015.

Relocation of production facilities to the Xinglongshan site

Reference is made to the circulars of the Company dated 3 June 2016 and 21 March 2016, and the announcements of the Company dated 31 March 2014 and 31 March 2015, respectively, in relation to among others, the suspension and relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

The Group is the process of obtaining the necessary approvals from the relevant bodies and finalising facilities designs. Subject to the obtaining of the approvals of such relocation plans, it is expected that the relocation will be completed by mid-2018, with the expected updated timeframe as follows:

Products of the Group to which the production facilities relate	Production capacity of the relevant production facilities to be relocated	Expected time for the relocation of production facilities
Maltodextrin (phase 1)	30,000 metric tonne per annum (“mtpa”)	July 2017 — June 2018
Maltodextrin (phase 2)	30,000 mtpa	July 2017 — June 2018
Crystallised glucose	100,000 mtpa	July 2017 — June 2018
Glucose/maltose	60,000 mtpa	September 2016 — April 2017
Corn refinery	600,000 mtpa	July 2017 — June 2018

AUDITOR

Mazars CPA Limited will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

ON BEHALF OF THE BOARD

Kong Zhanpeng
Chairman

INDEPENDENT AUDITOR'S REPORT

MAZARS

To the shareholders of Global Sweeteners Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on page 53 to page 111, which comprise the consolidated statement of financial position at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As a result of similar limitations of audit scope as mentioned in (i) and (ii) below, in addition to other matters mentioned therein, a disclaimer of opinion was expressed by us in our report dated 25 April 2016 on the consolidated financial statements of the Group for the year ended 31 December 2015.

(i) Financial guarantee contracts

As mentioned in notes 2.2 and 29 to the consolidated financial statements, a subsidiary of the Company, together with certain fellow subsidiaries, had jointly provided corporate guarantees to a bank in connection with banking facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2015 and 2016 (the "Financial Guarantee Contracts"). During the year ended 31 December 2016, the then ultimate holding entity of a major shareholder of the ultimate holding company of the Company provided a confirmation in writing that it will undertake all the liabilities that may arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the "Confirmation"). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As the management had not developed and applied an appropriate accounting policy for the Confirmation and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts at 31 December 2015 and 2016 and the Confirmation at 31 December 2016 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2015 and 2016, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

(ii) Impairment of non-current assets

During the years ended 31 December 2014 and 2015, in aggregate, the Group recognised an impairment loss on property, plant and equipment of HK$622 million and an impairment loss on goodwill of HK$184 million based on directors' impairment assessment.

As discussed in note 13 to the consolidated financial statements, the directors have performed an impairment assessment on property, plant and equipment at 31 December 2016 based on a valuation performed by an independent professional valuer. As a result of the impairment assessment, a reversal of impairment loss of HK$139 million and related deferred tax effect of HK$94 million were recognised during the year ended 31 December 2016. Since we were unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the directors' impairment assessment at 31 December 2014 and 2015, we were unable to determine whether any adjustments to the property, plant and equipment together with related tax at 31 December 2015 were necessary, which may have a significant impact on the reversal of impairment loss and the related deferred tax effect recognised during the year ended 31 December 2016. Any adjustments to these amounts may have a significant impact on the financial position of the Group at 31 December 2015, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

(iii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2016, the Group had net current liabilities of HK$679 million, and the Group has incurred losses since 2012 and reported a loss of HK$162 million for the year ended 31 December 2016. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2016. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

This report is made solely to you, as a body, 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 are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Mazars CPA Limited
Certified Public Accountants
42/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

29 March 2017

The engagement director on the audit resulting in this independent auditor's report is:
Yip Ngai Shing
Practising Certificate number: P05163

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	995,218	1,648,981
Cost of sales		(890,960)	(1,568,695)
Gross profit		104,258	80,286
Other income and gains	5	14,789	38,029
Selling and distribution costs		(83,982)	(87,702)
Administrative expenses		(115,329)	(100,640)
Reversal of impairment/(Impairment) of property, plant and equipment	13	138,937	(358,936)
Impairment of prepaid land lease payments	14	—	(5,135)
Impairment of trade and bills receivables, net	19	(3,184)	—
Write-off of trade and bills receivables	6	—	(10,750)
Impairment of prepayments and other receivables, net	6	(229,740)	(109,184)
Other expenses		(31,776)	(127,816)
Finance costs	7	(48,451)	(65,360)
LOSS BEFORE TAX	6	(254,478)	(747,208)
Income tax credit/(expense)	10	92,120	(6,559)
LOSS FOR THE YEAR		(162,358)	(753,767)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		11,893	2,801
Items that will not be reclassified to profit or loss in subsequent periods:			
(Loss)/Gain on property revaluation	13	(21,390)	7,404
Income tax effect		5,348	(1,851)
		(16,042)	5,553
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(4,149)	8,354
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(166,507)	(745,413)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Loss attributable to:			
Owners of the Company		(162,358)	(753,454)
Non-controlling interests		–	(313)
		(162,358)	(753,767)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(166,939)	(745,425)
Non-controlling interests		432	12
		(166,507)	(745,413)
LOSS PER SHARE	12		
Basic		HK(10.6) cents	HK(49.3) cents
Diluted		HK(10.6) cents	HK(49.3) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	780,869	408,312
Prepaid land lease payments	14	140,615	85,107
Deposits paid for acquisition of property, plant and equipment		170	354
Goodwill	15	–	–
Prepayments, deposits and other receivables	20	–	107,047
Other intangible assets	16	3,243	3,243
		924,897	604,063
CURRENT ASSETS			
Inventories	18	112,346	161,975
Trade and bills receivables	19	193,026	167,640
Prepayments, deposits and other receivables	20	65,530	192,862
Due from fellow subsidiaries	31(ii)	–	40,560
Pledged deposits	21	–	24,184
Cash and cash equivalents	21	116,972	61,106
		487,874	648,327
Non-current assets held for sale	17	–	365,082
		487,874	1,013,409
CURRENT LIABILITIES			
Trade and bills payables	22	140,697	195,910
Other payables and accruals	23	204,216	216,379
Interest-bearing bank borrowings	24	608,333	703,571
Due to fellow subsidiaries	31(ii)	190,636	–
Tax payable		23,202	25,539
		1,167,084	1,141,399
NET CURRENT LIABILITIES		(679,210)	(127,990)
TOTAL ASSETS LESS CURRENT LIABILITIES		245,687	476,073

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	200,000	190,476
Deferred income	25	31,600	—
Deferred tax liabilities	26	2,107	107,110
		233,707	297,586
NET ASSETS		11,980	178,487
Share capital	27	152,759	152,759
Reserves		(134,986)	31,953
Equity attributable to owners of the Company		17,773	184,712
Non-controlling interests		(5,793)	(6,225)
TOTAL EQUITY		11,980	178,487

Approved and authorised for issue by the board of directors on 29 March 2017 and signed on its behalf by

Kong Zhanpeng
Director

Zhang Zihua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016	152,759	1,074,879	57,542	59,817	303,873	9,440	(1,473,598)	184,712	(6,225)	178,487
Loss for the year	–	–	–	–	–	–	(162,358)	(162,358)	–	(162,358)
Other comprehensive (loss)/income for the year:										
– Revaluation loss, net of deferred tax	–	–	(16,042)	–	–	–	–	(16,042)	–	(16,042)
– Exchange realignment	–	–	–	–	11,461	–	–	11,461	432	11,893
Total comprehensive (loss)/income for the year	–	–	(16,042)	–	11,461	–	(162,358)	(166,939)	432	(166,507)
Transfer	–	–	–	6,132	–	–	(6,132)	–	–	–
Transactions with owners:										
Contributions and distributions										
Transfer upon lapse of share options	–	–	–	–	–	(9,440)	9,440	–	–	–
At 31 December 2016	152,759	1,074,879*	41,500*	65,949*	315,334*	–*	(1,632,648)*	17,773	(5,793)	11,980

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015	152,759	1,074,879	51,989	54,769	301,397	14,691	(720,347)	930,137	(6,237)	923,900
Loss for the year	–	–	–	–	–	–	(753,454)	(753,454)	(313)	(753,767)
Other comprehensive income for the year:										
– Revaluation gain, net of deferred tax	–	–	5,553	–	–	–	–	5,553	–	5,553
– Exchange realignment	–	–	–	–	2,476	–	–	2,476	325	2,801
Total comprehensive income/(loss) for the year	–	–	5,553	–	2,476	–	(753,454)	(745,425)	12	(745,413)
Transfer	–	–	–	5,048	–	–	(5,048)	–	–	–
Transactions with owners:										
Contributions and distributions										
Transfer upon forfeiture of share options	–	–	–	–	–	(5,251)	5,251	–	–	–
At 31 December 2015	152,759	1,074,879*	57,542*	59,817*	303,873*	9,440*	(1,473,598)*	184,712	(6,225)	178,487

* These reserve accounts comprise the negative reserves of HK$134,986,000 (2015: positive reserves of HK$31,953,000) in the consolidated statement of financial position.

SHARE PREMIUM

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

ASSET REVALUATION RESERVE/EXCHANGE FLUCTUATION RESERVE/SHARE OPTION RESERVE

Asset revaluation reserve, exchange fluctuation reserve and share option reserve are dealt with in accordance with the respective accounting policies on these reserves as set out in note 2.5 to the consolidated financial statements.

STATUTORY RESERVE FUND

Certain subsidiaries which were established in the People's Republic of China (the "PRC" or "Mainland China") are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until they reach 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. These reserves may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(254,478)	(747,208)
Adjustments for:			
Finance cost	7	48,451	65,360
Bank interest income	5	(722)	(913)
Depreciation	13	38,955	134,350
Loss/(Gain) on disposal of property, plant and equipment, net	6	10	(2,654)
Amortisation of prepaid land lease payments	14	6,929	7,234
Impairment/(Reversal of impairment) of trade and bills receivables, net	19	3,184	(1,874)
Amortisation of deferred income	5	(186)	—
(Reversal of write-off)/Write-off of trade and bills receivables	6	(1,068)	10,750
Impairment of prepayments and other receivables, net	6	229,740	109,184
(Reversal of write-down)/Write-down of inventories	6	(870)	10,894
Impairment of prepaid land lease payments	14	—	5,135
(Reversal of impairment)/Impairment of property, plant and equipment	13	(138,937)	358,936
Impairment of deposits paid for acquisition of property, plant and equipment		274	—
Reversal of indemnity for breach of contract	5	—	(21,938)
		(68,718)	(72,744)
Decrease in inventories		42,474	31,613
(Increase)/Decrease in trade and bills receivables		(41,290)	118,607
Decrease/(Increase) in prepayments, deposits and other receivables		7,216	(30,272)
Decrease in trade and bills payables		(45,163)	(3,348)
Increase/(Decrease) in other payables and accruals		2,424	(32,343)
Cash (used in)/generated from operations		(103,057)	11,513
Interest received		722	913
Overseas taxes paid		(1,790)	(7,675)
Net cash (used in)/generated from operating activities		(104,125)	4,751

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of a parcel of land		—	(1,873)
Purchases of property, plant and equipment		(52,646)	(15,759)
Proceeds from disposal of property, plant and equipment		—	2,972
Increase in deferred income		31,777	—
Net cash used in investing activities		(20,869)	(14,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		596,429	178,750
Repayment of bank borrowings		(624,405)	(281,220)
Interest paid		(48,451)	(65,360)
Increase in an amount due to the ultimate holding company		148,285	—
Increase in an amount due from the immediate holding company		—	(213)
Increase in amounts with fellow subsidiaries		89,310	74,619
Decrease/(Increase) in pledged deposits		24,184	(24,184)
Net cash generated from/(used in) financing activities		185,352	(117,608)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		60,358	(127,517)
Cash and cash equivalents at beginning of year		61,106	189,935
Effect of foreign exchange rate changes, net		(4,492)	(1,312)
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	116,972	61,106

MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, amount due to the ultimate holding company and amounts due from fellow subsidiaries in aggregate of HK$231 million were assigned to or offset against amounts due to fellow subsidiaries pursuant to offsetting agreements entered into between relevant parties.

During the year ended 31 December 2015, amounts due from the immediate holding company and fellow subsidiaries in aggregate of HK$162 million were offset against amounts due to the ultimate holding company and fellow subsidiaries pursuant to offsetting agreements entered into between relevant parties.

1. CORPORATE INFORMATION

Global Sweeteners Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, No. 18 Harcourt Road, Hong Kong. The Company and its subsidiaries (the "Group") are principally engaged in the manufacture and sale of corn refined products and corn based sweetener products.

The Company is a subsidiary of Global Corn Bio-chem Technology Company Limited (the "immediate holding company" or "Global Corn Bio-chem"), a company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company is Global Bio-chem Technology Group Company Limited (the "ultimate holding company" or "GBT" and together with its subsidiaries, the "GBT Group"), a company incorporated in the Cayman Islands whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for certain property, plant and equipment which are measured at revalued amounts as further explained in note 2.5 to the consolidated financial statements. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except where otherwise indicated.

2.2 GOING CONCERN

The Group has incurred losses since 2012 and recorded a loss of approximately HK$162 million (2015: approximately HK$754 million) for the year ended 31 December 2016 and as at that date, net current liabilities of approximately HK$679 million (2015: approximately HK$128 million). In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts as discussed in note 29 to the consolidated financial statements may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the management of the Company has taken the following steps to improve the Group's financial position.

2.2 GOING CONCERN *(continued)*

(1) Active negotiations with banks to obtain adequate bank borrowings and to restructure its debts

The management of the Company has been actively negotiating with the banks in the PRC to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. Pursuant to an agreement signed with four major lender banks of the subsidiaries of the Company and GBT on 22 September 2015 (the "Agreement"), in respect of the banking facilities granted to the subsidiaries of the Company and GBT in Changchun, the four major lender banks agreed 1) to lower the interest rate for the bank borrowings; 2) not to withdraw any banking facilities then provided; and 3) to take all possible measures to ensure the renewal of all existing bank borrowings. On 21 March 2016, at a meeting between the Company and three of the major lender banks in Changchun, the three lender banks reiterated to act upon the Agreement and expressed their support to the subsidiaries of the Company and GBT in Changchun, and their intention to renew the existing banking facilities granted by them to the Company's and GBT's subsidiaries in Changchun upon expiry.

On the other hand, the State Council of the PRC promulgated the "Opinions on Stabilising the Leverage Rate of Enterprises"《關於積極穩妥降低企業槓桿率的意見》(the "Opinions") in October 2016 which aimed at promoting long-term sustainable economic development of the State. It explicitly stated the importance of lowering enterprise leverage rate in order to facilitate the structural reform of the supply side. The Opinions proposed merger and reorganisation of enterprises, improving enterprise system, optimising debt structure and conducting market-oriented bank's debt-equity swap etc.. In addition, the National Development and Reform Commission also indicated that the process of debt-equity swap would be market-driven. Banks, implementing agents and enterprises should, based on the principles of national policies, determine the terms and conditions of the debt-equity swap including the conversion price and conditions, structure of the swap and exit strategy etc. Following the publication of the Opinions, the Group and the GBT Group have been actively studying the feasibility of debt-equity swap. A proposal of debt-equity swap has been submitted to the Jilin Provincial Government for consideration. The management believes that the Group's financial position will be strengthened substantially if the proposal is materialised.

(2) Disposal of land and buildings located in Luyuan District, Changchun

As disclosed in the joint announcement of the Company and GBT dated 2 March 2017, various subsidiaries of the Company and GBT have entered into termination agreements with the purchaser to terminate the property disposal agreements dated 14 April 2016 in respect of the sale and purchase of pieces of land in Luyuan District, Changchun, the PRC and the buildings erected thereon (the "Relevant Properties"); and the assets disposal agreements dated 14 April 2016 in respect of the sale and purchase of, among others, prepayments and trade and other receivables owed to certain subsidiaries of the Group and the GBT Group. During the negotiation process with the purchaser with respect to the termination of the agreements, the Company, together with GBT, have been in discussion with another potential purchaser regarding the disposal of the Relevant Properties. The proposed disposal is still at a preliminary stage of negotiation. If the disposal of the Relevant Properties is materialised, the Group will have additional funds to finance its operations and the capital expenditure for relocation of its production facilities in Changchun.

2.2 GOING CONCERN *(continued)*

(3) Monitoring of the Group's operating cash flows

The Group has taken various measures to tighten cost controls over production costs and expenses with the aim to attain profitable and positive cash flow operations. During the year ended 31 December 2016, the Group has optimised its production in order to minimise operating cash outflows.

(4) Financial support from the indirect controlling shareholder of GBT

In March 2016, the Group received a written confirmation (the "Confirmation") from the then ultimate holding entity of a major shareholder of GBT, that it will provide financial support to the Group for its operation on a going concern basis and undertake all the liabilities that may arise from the Financial Guarantee Contracts. The Confirmation will expire in September 2017.

As announced by GBT on 2 March 2017, Jilin Agricultural Investment Group Co., Ltd. (吉林省農業投資集團有限公司, "Nongtou"), an entity controlled by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province, became an indirect controlling shareholder of GBT. The Group has received a written confirmation from Nongtou that it will provide financial support to the Group for its operation on a going concern basis and undertake all the liabilities that may arise from the Financial Guarantee Contracts. Such assistance received by the Group is not secured by any assets of the Group.

Nongtou, being a State-owned enterprise, was established in August 2016 and its paid up registered capital amounted to only RMB461 million as at 31 December 2016, is tasked to consolidate the State-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, to provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group and the GBT Group.

The validity of the going concern basis on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. Based on the measures as outlined above, the management of the Company considers that the Group would be able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future. Therefore, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements.

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKASs 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Annual Improvements Project	2012-2014 Cycle

Amendments to HKAS 1: Disclosure Initiative

The amendments include changes in the following five areas: (1) materiality; (2) disaggregation and subtotals; (3) structure of notes; (4) disclosure of accounting policies; (5) presentation of items of other comprehensive income arising from investments accounted for using equity method. It is considered that these amendments are clarifying amendments that do not directly affect an entity's accounting policies or accounting estimates.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Amendments to HKASs 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortisation

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments to HKAS 16 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to HKAS 38 clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2012-2014 Cycle

1) HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal

These amendments clarify the accounting for a change in an entity's disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa). Such a reclassification shall not be treated as a change to a plan of sale (or distribution to owners) and accounted for as such. Consequently, such a change in classification is considered as a continuation of the original plan of disposal and the entity will not follow the accounting for a change to the plan. Besides, to address the lack of guidance in circumstances when an asset no longer meets the criteria for held for distribution to owners, the amendments clarify that an entity should cease to apply held-for-distribution accounting in the same way as it ceases to apply the held-for-sale accounting when the asset no longer meets the held-for-sale criteria.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Annual Improvements Project – 2012-2014 Cycle

2) HKFRS 7 Financial Instruments: Disclosures

a) Servicing contracts

These amendments clarify what kind of servicing contracts may constitute continuing involvements for the purposes of applying the disclosure requirements for transferred financial assets that are derecognised in their entirety.

b) Applicability of the Amendments to HKFRS 7 concerning Offsetting to Condensed Interim Financial Statements

These amendments also clarify that the additional disclosure required by the amendments to HKFRS 7 concerning offsetting is not specifically required for all interim periods.

The adoption of the amendments did not have any significant impact on the consolidated financial statements.

3) HKAS 34 Interim Financial Reporting: Disclosure of Information "elsewhere in the interim financial report"

The amendment clarifies the meaning of disclosures of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

The adoption of the amendment did not have any significant impact on the consolidated financial statements.

2.4 NEW AND REVISED HKFRSS NOT YET ADOPTED

The Group has not applied the following new/revised HKFRSs that have been issued but are not yet effective in the consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements to HKFRSs	*2014-2016 Cycle*[2]
Amendments to HKFRS 2	*Classification and measurement of Share-based Payment Transactions*[3]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKFRS 9 (2014)	*Financial Instruments*[3]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[3]
HKFRS 16	*Leases*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2017 or 2018 where applicable
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The management of the Company is in the process of assessing the possible impact on the future adoption of the new/revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, and (ii) the carrying amount of any non-controlling interest and recognises (i) the fair value of the consideration received, and (ii) the fair value of any investment retained. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. Investments in subsidiaries are stated at cost less impairment losses in the Company's statement of financial position which is presented within these notes. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposal of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain of its property, plant and equipment at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, goodwill and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A related party is a person or entity that is related to the Group.

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

(vii) A person identified in (a)(i) 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).

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

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

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

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

(c) dependants of that person or that person's spouse or domestic partner.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets (or disposal group) held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation less accumulated impairment of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2.0% to 4.5%
Plant and machinery	6.7%
Leasehold improvements, furniture, office equipment and motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with HKFRS 5 and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Golf club membership

Golf club membership is stated at cost less impairment losses, if any. The carrying amount of individual golf club membership is reviewed at the end of each reporting period to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such golf club membership is reduced to its fair value. The amount of the reduction is recognised as an expense in profit or loss.

Non-current assets (or disposal group) held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal groups) and its sale must be highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

On initial classification as held for sale and until disposal, the non-current assets (and disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties which, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.5.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets

Initial recognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

Classification and measurement

When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are notquoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Impairment *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

Classification and measurement

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Derecognition

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, and on the following bases:

(a) Sale of goods is recognised, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Interest income is recognised, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised at the beginning and end of that period. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to the reserve within equity.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the 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 accumulated profit/losses. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the mainland of the PRC are required to participate in the retirement benefit schemes (the "PRC RB Schemes") operated by the respective local municipal governments in provinces of Mainland China where the group entities operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. The only obligation of the Group with respect to the PRC RB Schemes is to pay the ongoing required contributions under the PRC RB Schemes. Contributions under the PRC RB Schemes are charged to profit or loss as they become payable in accordance with the rules of the PRC RB Schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate is based on the actual cost of the related borrowings. All other borrowing costs are expensed in the period in which they areincurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amount recognised in the consolidated financial statements:

Deferred tax liability for withholding taxes

The Group determines that no dividends are to be distributed by the PRC subsidiaries to the Company or any subsidiary outside Mainland China in the foreseeable future. Therefore, no deferred tax liability for withholding taxes has been recognised in these consolidated financial statements.

Estimation uncertainty

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

Fair value of property, plant and equipment

The Group estimates the fair value of its leasehold buildings, plant and machinery and construction in progress with reference to valuations performed by an independent professional valuer. The valuation of plant and machinery and construction in progress is performed using the market approach or where no second hand prices are available, the depreciated replacement cost (the "DRC") approach and the valuation of leasehold buildings is performed using the DRC approach. The market approach requires adjustments to the second hand prices regarding the differences in age, condition and utility between the assets under appraisal and the comparable, and the estimation of costs of installation and dismantling. The DRC approach requires an estimation of the new replacement cost of the assets from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of property, plant and equipment, the Group considers various factors such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with a similar asset that is used in a similar way. Additional depreciation is required if the estimated useful lives and/or the residual values of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

Impairment of trade receivables

The provisioning policy for impairment loss of the Group is based on the evaluation of collectability of the receivables. A considerable amount of judgement is required in assessing the ultimate realisation of the receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

Write-down of inventories

The Group reviews ageing analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving items that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions.

Income taxes

At 31 December 2016, a deferred tax asset of approximately HK$21 million in relation to deductible temporary difference was recognised in the consolidated statement of financial position to the extent of the recognised taxable temporary difference. No deferred tax asset has been recognised on the tax losses of HK$1,258 million and the remaining deductible temporary difference of HK$86 million due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits or taxable temporary differences are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has the following three (2015: two, i.e. (a) and (b)) reportable operating segments:

(a) the corn refined products segment which comprises the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products;

(b) the corn based sweetener products segment which comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup, crystallised glucose and maltodextrin; and

(c) the trading segment which comprises the sale of lysine and other corn refined products of the GBT Group in the Huadong region.

4. OPERATING SEGMENT INFORMATION *(continued)*

The management who is the chief operating decision-maker, monitors the results of the Group's operating segments separately for the purpose of making decisions in relation to resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit or loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that finance costs as well as corporate income and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the then prevailing selling prices used for sales made to third parties.

Year ended 31 December 2016

	Corn refined products HK$'000	Corn based sweetener products HK$'000	Trading HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	392,429	592,091	10,698	995,218
Intersegment sales	66,564	—	—	66,564
	458,993	592,091	10,698	1,061,782
Reconciliation:				
Elimination of intersegment sales				(66,564)
Revenue				995,218
Segment results:	(207,272)	21,813	560	(184,899)
Reconciliation:				
Unallocated bank interest and other corporate income				7
Corporate and other unallocated expenses				(21,135)
Finance costs				(48,451)
Loss before tax				(254,478)
Income tax credit				92,120
Loss for the year				(162,358)
Other segment information:				
Capital expenditure	804	51,740	—	52,544
Depreciation	13,808	25,147	—	38,955
Amortisation of prepaid land lease payments	3,764	3,165	—	6,929
Loss on disposal of property, plant and equipment, net	—	10	—	10
Reversal of impairment of property, plant and equipment	83,066	55,871	—	138,937
(Reversal of write-down)/Write-down of inventories, net	(904)	34	—	(870)
Impairment of trade and bills receivables, net	913	2,271	—	3,184
Reversal of write-off of trade and bills receivables	—	1,068	—	1,068
Impairment of prepayments and other receivables, net	229,460	280	—	229,740

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2015

	Corn refined products HK$'000 (restated)	Corn based sweetener products HK$'000 (restated)	Total HK$'000 (restated)
Segment revenue:			
Sales to external customers	847,752	801,229	1,648,981
Intersegment sales	107,148	—	107,148
	954,900	801,229	1,756,129
Reconciliation:			
Elimination of intersegment sales			(107,148)
Revenue			1,648,981
Segment results:	(498,184)	(145,477)	(643,661)
Reconciliation:			
Unallocated bank interest and other corporate income			286
Corporate and other unallocated expenses			(38,473)
Finance costs			(65,360)
Loss before tax			(747,208)
Income tax expense			(6,559)
Loss for the year			(753,767)
Other segment information:			
Capital expenditure	8,124	9,508	17,632
Depreciation	54,883	79,467	134,350
Amortisation of prepaid land lease payments	4,349	2,885	7,234
(Loss)/Gain on disposal of property, plant and equipment, net	(113)	2,767	2,654
Reversal of indemnity for breach of contract	21,938	—	21,938
Impairment of property, plant and equipment	301,269	57,667	358,936
Impairment of prepaid land lease payments	5,135	—	5,135
Write-down of inventories	8,839	2,055	10,894
Reversal of impairment of trade and bills receivables, net	247	1,627	1,874
Write-off of trade and bills receivables	10,750	—	10,750
Impairment of other receivables	109,184	—	109,184

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue information based on locations of customers*

	2016 HK$'000	2015 HK$'000
Mainland China	903,976	1,558,335
Regions other than Mainland China	91,242	90,646
	995,218	1,648,981

(b) *Non-current assets information based on locations of assets, excluding deferred tax assets and financial instruments*

	2016 HK$'000	2015 HK$'000
Mainland China	924,897	497,016

Information about major customers

Details of a major customer amounted to 10% or more of the Group's total revenue for the year ended 31 December 2016 are as follows:

Customer A from corn based sweetener products segment of HK$137,743,000 (2015: Customer B from corn refined products segment of HK$327,253,000).

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Sale of goods	995,218	1,648,981
Other income and gains		
Bank interest income	722	913
Net gains arising from sale of packing materials and by-products	537	2,483
Government grants*	2,830	3,638
Amortisation of deferred income	186	—
Subcontracting income	4,955	3,456
Foreign exchange gain, net	1,905	—
Reversal of indemnity for breach of contract	—	21,938
Gain on disposal of property, plant and equipment	—	2,878
Reversal of impairment of trade and bills receivables, net	—	1,874
Reversal of write-off of trade and bills receivables	1,068	—
Others	2,586	849
	14,789	38,029

* Government grants represent government rewards awarded to certain subsidiaries of the Company located in Mainland China with no further obligations and conditions to be complied with.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2016 HK$'000	2015 HK$'000
Employee benefit expenses (excluding Directors' remuneration)			
— Wages and salaries		58,722	47,994
— Pension scheme contributions		24,178	20,943
		82,900	68,937
Cost of inventories sold		884,060	1,557,015
Auditor's remuneration			
— Current year		3,500	3,500
— Under provision for prior year		241	1,292
Foreign exchange differences, net		(1,905)	1,084
Operating lease payments in respect of land and premises		2,956	803
Depreciation	13	38,955	134,350
Amortisation of prepaid land lease payments	14	6,929	7,234
Loss/(Gain) on disposal of property, plant and equipment, net		10	(2,654)
(Reversal of impairment)/Impairment of property, plant and equipment	13	(138,937)	358,936
Impairment of prepaid land lease payments	14	—	5,135
(Reversal of write-down)/Write-down of inventories, net		(870)	10,894
Impairment/(Reversal of impairment) of trade and bills receivables, net	19	3,184	(1,874)
(Reversal of write-off)/Write-off of trade and bills receivables		(1,068)	10,750
Impairment of prepayments and other receivables, net*		229,740	109,184

* Included in the amount was an impairment loss on a receivable from a former major supplier of the Group of HK$217 million (2015: HK$109 million) as disclosed in note 20 to the consolidated financial statements.

7. FINANCE COSTS

An analysis of finance costs of the Group is as follows:

	2016 HK$'000	2015 HK$'000
Interest on bank borrowings	47,810	61,702
Finance costs for discounting bills receivables	641	1,955
Bank charge for bank borrowings	—	1,703
	48,451	65,360

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The directors' and chief executive's remuneration for the year, pursuant to the Listing Rules and the Hong Kong Companies Ordinance, is as follows:

	2016 HK$'000	2015 HK$'000
Fees	1,341	1,386
Other emoluments:		
Salaries, allowances and benefits in kind	3,600	6,515
Performance-related bonuses	–	450
Payment in-lieu of notice	–	600
Pension scheme contributions	18	32
	3,618	7,597
	4,959	8,983

(a) Executive directors and the chief executive

	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Payment in lieu of notice HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2016					
Executive directors:					
Mr. Wang Jian(1) (Chief executive)	–	–	–	–	–
Mr. Kong Zhanpeng	3,600	–	–	18	3,618
	3,600	–	–	18	3,618

	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Payment in lieu of notice HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015					
Executive directors:					
Mr. Wang Jian(1) (Chief executive)	–	–	–	–	–
Mr. Kong Zhanpeng(2)	3,600	–	–	18	3,618
Mr. Lee Chi Yung(3)	1,802	450	450	14	2,716
Mr. Nie Zhiguo(3)	238	–	75	–	313
Mr. Wen Gang(4)	110	–	75	–	185
Ms. Wang Guifeng(5)	765	–	–	–	765
	6,515	450	600	32	7,597

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Executive directors and the chief executive *(continued)*

(1) Mr. Wang Jian was appointed as an executive director and the chief executive officer of the Company on 15 October 2015 and 24 October 2015 respectively, who resigned as an executive director on 23 March 2017 but remains as the chief executive officer.

(2) Mr. Kong Zhanpeng was the chief executive officer of the Company from 20 May 2014 to 24 October 2015.

(3) Mr. Lee Chi Yung and Mr. Nie Zhiguo resigned as executive directors of the Company on 15 October 2015.

(4) Mr. Wen Gang was appointed as an executive director of the Company on 4 June 2015, who resigned on 15 October 2015.

(5) Ms. Wang Guifeng resigned as an executive director of the Company on 4 June 2015.

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of services, is entitled to a management bonus. In addition, executive directors with special contributions to the Group may be entitled to a special bonus. No bonus was paid to the executive directors during the year ended 31 December 2016. During the year ended 31 December 2015, discretionary bonuses of HK$250,000 and HK$200,000 were approved and paid to an executive director of the Company in respect of the years ended 31 December 2015 and 2014 respectively.

(b) Independent non-executive directors

The fees paid to independent non-executive directors for their services to the Company during the year are as follows:

	2016 HK$'000	2015 HK$'000
Mr. Chan Yuk Tong[1]	—	456
Mr. Ho Lic Ki	480	465
Mr. Lo Kwing Yu	480	465
Mr. Yuen Tsz Chun[2]	381	—
	1,341	1,386

(1) Resigned on 24 December 2015

(2) Appointed on 16 March 2016

There were no other emoluments payable to the independent non-executive directors during the years ended 31 December 2016 and 2015.

(c) Non-executive directors

Ms. Zhang Yaohui and Mr. Fu Qiang were appointed as non-executive directors of the Company on 15 October 2015 and resigned on 23 March 2017, who did not receive any remuneration during the years ended 31 December 2016 and 2015.

Except for the payment in-lieu of notice paid to the executive directors of the Company as disclosed in (a) above, no emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2016 and 31 December 2015.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2015: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2015: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	388	1,115
Pension scheme contributions	11	17
	399	1,132

The highest paid employee fell within the following bands:

	2016 Number of individuals	2015 Number of individuals
Nil to HK$1,000,000	1	—
HK$1,000,001 to HK$1,500,000	—	1

No emolument was paid by the Group to the highest paid non-director employee as inducement to join or upon joining the Group or as compensation for loss of office. The highest paid non-director employee did not waive any emoluments during the years ended 31 December 2016 and 2015.

10. INCOME TAX (CREDIT)/EXPENSE

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2016 and 2015. Mainland China enterprise income tax has been provided at the rate of 25% (2015: 25%) on the estimated assessable profits of subsidiaries operating in Mainland China.

	Note	2016 HK$'000	2015 HK$'000
Current tax — Mainland China		1,574	5,736
Deferred tax	26	(93,694)	823
Income tax (credit)/expense for the year		(92,120)	6,559

10. INCOME TAX (CREDIT)/EXPENSE *(continued)*

A reconciliation of tax (credit)/expense to loss before tax using the applicable tax rate is as follows:

	2016 HK$'000	2015 HK$'000
Loss before tax	(254,478)	(747,208)
Income tax at applicable tax rate	(61,851)	(184,040)
Non-deductible expenses	60,529	38,646
Tax-exempt revenue	(1)	(23)
Recognition of previously unrecognised deferred taxes and reversal of deferred taxes	(93,682)	—
Unrecognised tax losses	48,009	69,193
Unrecognised temporary differences	(45,124)	82,783
Income tax (credit)/expense	(92,120)	6,559

The applicable tax rate is the weighted average of the tax rates prevailing in the locations in which the Group entities operate.

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2016 and 2015.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$162,358,000 (2015: HK$753,454,000) and the weighted average number of ordinary shares in issue throughout the year of 1,527,586,000 shares (2015: 1,527,586,000 shares).

As the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the years ended 31 December 2016 and 2015, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the years ended 31 December 2016 and 2015. Therefore, the diluted loss per share was equal to the basic loss per share for the years ended 31 December 2016 and 2015.

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2016						
At 1 January 2016		310,392	80,014	7,150	10,756	408,312
Additions		198	2,880	433	49,033	52,544
Loss on revaluation		(21,390)	–	–	–	(21,390)
Disposals		–	(10)	–	–	(10)
Depreciation	6	(26,381)	(9,787)	(2,787)	–	(38,955)
Transfer		–	2,085	–	(2,085)	–
Reversal of impairment	6	–	138,937	–	–	138,937
Reclassified from non-current assets held for sale	17	268,998	–	–	(2,522)	266,476
Exchange realignment		(13,262)	(10,677)	(340)	(766)	(25,045)
At 31 December 2016		518,555	203,442	4,456	54,416	780,869

	Notes	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2015						
At 1 January 2015		640,341	510,380	9,640	34,102	1,194,463
Additions		1,663	1,186	2,805	12,183	17,837
Gain on revaluation		7,404	–	–	–	7,404
Disposals		–	–	(318)	–	(318)
Depreciation	6	(24,465)	(105,590)	(4,295)	–	(134,350)
Transfer		74	3,300	–	(3,374)	–
Impairment	6	–	(324,255)	(333)	(34,348)	(358,936)
Classified as non-current assets held for sale	17	(289,094)	–	–	2,768	(286,326)
Exchange realignment		(25,531)	(5,007)	(349)	(575)	(31,462)
At 31 December 2015		310,392	80,014	7,150	10,756	408,312
At 31 December 2016						
At cost		–	1,250,716	26,688	84,948	1,362,352
At valuation		543,851	–	–	–	543,851
Accumulated depreciation and impairment losses		(25,296)	(1,047,274)	(22,232)	(30,532)	(1,125,334)
		518,555	203,442	4,456	54,416	780,869
At 1 January 2016						
At cost		–	1,357,289	28,902	43,468	1,429,659
At valuation		310,392	–	–	–	310,392
Accumulated depreciation and impairment losses		–	(1,277,275)	(21,752)	(32,712)	(1,331,739)
		310,392	80,014	7,150	10,756	408,312

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Leasehold buildings

The leasehold buildings are situated on parcels of land of the Group in Mainland China with remaining lease term ranging from 14 to 55 years.

At 31 December 2016, the applications for building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$158,010,000 (2015: HK$137,768,000) were still in progress.

Had the Group's leasehold buildings been carried under the cost model, their carrying amount would have been approximately HK$456,724,000 (2015: HK$280,789,000).

As disclosed in note 17 to the consolidated financial statements, the Group's leasehold buildings located in Luyuan District in Changchun (the "Changchun Buildings") were reclassified from non-current assets held for sale to property, plant and equipment in December 2016. The Changchun Buildings were revalued on an open market value basis by Savills Valuation and Professional Services Limited, an independent professionally qualified valuer, at approximately HK$239,222,000 at 31 March 2016. A loss on revaluation of the Changchun Buildings of approximately HK$21,390,000 was recognised in other comprehensive income and debited to asset revaluation reserve during the year ended 31 December 2016.

At 31 December 2015, the Group's leasehold buildings were revalued on an open market value basis by Savills Valuation and Professional Services Limited, an independent professionally qualified valuer, at approximately HK$310,392,000. A gain on revaluation of approximately HK$7,404,000 was recognised in other comprehensive income and credited to asset revaluation reserve during the year ended 31 December 2015.

The directors were of the opinion that there were no material differences between the carrying amount and fair value of the leasehold buildings at 31 December 2016. Therefore, no revaluation was performed as at that date.

Valuation processes

The Group reviews the estimation of fair value of the leasehold buildings at the end of each reporting period. Valuation of leasehold buildings is normally performed by an independent professional valuer on a bi-annual basis, unless the directors are of the opinion that there is a significant change in fair value. Discussion of the valuation process and results with the audit committee is held twice a year, to coincide with the reporting dates.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Leasehold buildings *(continued)*

Fair value hierarchy

The fair value of the Group's leasehold buildings is categorised as Level 3 fair value measurements. During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

The movements in Level 3 fair value measurements during the year are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	310,392	640,341
Additions and transfer from construction in progress	198	1,737
(Loss)/Gain on revaluation	(21,390)	7,404
Depreciation	(26,381)	(24,465)
Classified as non-current assets held for sale	—	(289,094)
Reclassified from non-current assets held for sale	268,998	—
Exchange realignment	(13,262)	(25,531)
At 31 December	518,555	310,392

The (loss)/gain on revaluation represents the total (loss)/gain for the year included in other comprehensive income for leasehold buildings held at the end of the reporting period.

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 31 December 2015 (other than the Changchun Buildings) and 31 March 2016 (the Changchun Buildings):

Valuation technique	Significant unobservable inputs	Industrial properties	Residential properties
DRC approach	a) construction cost (RMB/sq.m.)	a) 550-4,110	a) 880-3,350
	b) administrative expense rate	b) 3.4%	b) 3.4%
	c) developer's profit margin	c) 8%-10%	c) 8%
	d) interest rate	d) 4.35%-4.75%	d) 4.75%
	e) rate of newness	e) 42%-93%	e) 67%-72%

A significant positive adjustment to any of the above significant unobservable inputs would result in a significant increase in fair value of the leasehold buildings, and vice versa.

The Group has determined that the highest and best use of the buildings at the measurement date would be their existing use.

The DRC approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Impairment assessment

Included in the Group's property, plant and equipment at 31 December 2014 was an amount of HK$348,057,000 representing assets located in Changchun, the PRC. These assets were either operating under a less than normal capacity or became idle at that date. Management performed impairment assessment on these assets and recognised an impairment loss of HK$262,633,000 during the year ended 31 December 2014.

In view of the continuing losses and the suspension of operations of subsidiaries operating in Jinzhou during the year ended 31 December 2015, the directors have performed an impairment assessment of the property, plant and equipment, except for leasehold buildings which were stated at revalued amounts, of these subsidiaries at 31 December 2015 and determined their recoverable amounts to be insignificant. Accordingly, an impairment loss of HK$354 million was recognised in respect of the property, plant and equipment of the subsidiaries operating in Jinzhou during the year ended 31 December 2015.

No impairment loss was recognised in respect of the leasehold buildings which were stated at revalued amounts because the cost of disposal was considered insignificant.

The directors have performed an impairment assessment on the property, plant and equipment, except for leasehold buildings which were stated at revalued amounts, of the subsidiaries operating in Jinzhou and Changchun at 31 December 2016 based on a valuation performed by Savills Valuation and Professional Services Limited, an independent professionally qualified valuer. The estimates of recoverable amount were based on the assets' fair value less cost of disposal, using the market approach or where no second hand prices are available, the DRC approach. The market approach requires adjustments to the second hand prices regarding the differences in age, condition and utility between the assets under appraisal and the comparable, and the estimation of costs of installation and dismantling. The DRC approach requires an estimation of the new replacement cost of the assets from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation. The fair value on which the recoverable amount is based on is categorised as Level 3 fair value measurements. As a result of the impairment assessment, a reversal of impairment loss of HK$138,937,000, being the recoverable amount of the property, plant and equipment of the subsidiaries operating in Jinzhou and Changchun, was recognised in profit or loss during the year ended 31 December 2016.

14. PREPAID LAND LEASE PAYMENTS

	Notes	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January		**89,008**	184,786
Additions		**—**	1,873
Amortisation	6	**(6,929)**	(7,234)
Classified as non-current assets held for sale	17	**—**	(78,756)
Reclassified from non-current assets held for sale	17	**68,918**	—
Impairment	6	**—**	(5,135)
Exchange realignment		**(3,124)**	(6,526)
Carrying amount at 31 December		**147,873**	89,008
Current portion included in prepayments, deposits and other receivables	20	**(7,258)**	(3,901)
Non-current portion		**140,615**	85,107

14. PREPAID LAND LEASE PAYMENTS *(continued)*

The leasehold land is granted with remaining lease term ranging from 14 to 55 years and is situated in Mainland China.

As disclosed in note 17 to the consolidated financial statements, the Group's parcels of land located in the Luyuan District in Changchun (the "Changchun Land") were reclassified from non-current assets held for sale to prepaid land lease payments in December 2016.

15. GOODWILL

	2016 HK$'000	2015 HK$'000
Cost	183,538	183,538
Impairment	(183,538)	(183,538)
	–	–

The goodwill was fully impaired during the year ended 31 December 2014.

16. OTHER INTANGIBLE ASSETS

	Golf club membership HK$'000
2016 and 2015	
At 1 January and 31 December Cost and carrying amount	3,243

17. NON-CURRENT ASSETS HELD FOR SALE

Further to the memorandum of understanding signed on 31 December 2015 with 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Former Purchaser"), an independent third party, on 14 April 2016, two subsidiaries of the Company (the "Subsidiaries") entered into an agreement with the Former Purchaser (the "Property Disposal Agreement") to dispose of the Changchun Land and the Changchun Buildings at a total consideration of approximately RMB558 million (equivalent to HK$665 million).

Despite the Subsidiaries' efforts to fulfil the conditions precedent as contemplated under the Property Disposal Agreement, certain of these conditions had yet to be fulfilled. In December 2016, the Company received a letter from the Former Purchaser proposing to terminate the Property Disposal Agreement. Having considered the legal advice on the potential cost and time of initiating legal proceedings against the Former Purchaser, the directors are of the view that the termination of the Property Disposal Agreement is of the best interest of the Group. Accordingly, the directors have decided to terminate the Property Disposal Agreement.

17. NON-CURRENT ASSETS HELD FOR SALE *(continued)*

Since the directors were of the opinion that the disposal was no longer probable, the Changchun Land and the Changchun Buildings were reclassified from non-current assets held for sale to prepaid land lease payments (note 14) and property, plant and equipment (note 13) respectively in December 2016.

On 2 March 2017, the Subsidiaries entered into an agreement with the Former Purchaser to terminate the Property Disposal Agreement. All of the rights and obligations of the Subsidiaries and the Former Purchaser under the Property Disposal Agreement were released accordingly.

18. INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	72,559	63,991
Finished goods	39,787	97,984
	112,346	161,975

19. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	241,937	252,529
Bills receivable	35,612	2,411
Impairment	(84,523)	(87,300)
	193,026	167,640

The Group normally grants credit terms of 30 to 90 days to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in Mainland China which accounted for 42% (2015: 56%) of the total trade and bills receivables at 31 December 2016.

Ageing analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 month	76,463	126,354
1 to 2 months	31,795	25,243
2 to 3 months	7,997	8,003
Over 3 months	76,771	8,040
	193,026	167,640

19. TRADE AND BILLS RECEIVABLES *(continued)*

The movements in the impairment of trade and bills receivables are as follows:

	Notes	2016 HK$'000	2015 HK$'000
At 1 January		87,300	106,933
Impairment loss recognised	6	3,731	339
Impairment loss reversed	6	(547)	(2,213)
Amount written off as uncollectible		–	(13,394)
Exchange realignment		(5,961)	(4,365)
At 31 December		84,523	87,300

Included in the above impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$83,960,000 (2015: HK$87,073,000).

The individually impaired trade and bills receivables are long outstanding and/or relate to customers that were in financial difficulties so they are considered unrecoverable.

Ageing analysis of the trade and bills receivables that are not considered to be impaired at the end of the reporting period, based on past due date, is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	145,751	160,921
Less than 1 month past due	169	909
1 to 3 months past due	250	1,529
Over 3 months past due	47,419	4,054
	193,589	167,413

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors consider that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2016 HK$'000	2015 HK$'000
Prepayments		21,451	23,525
Deposits and other debtors		22,172	261,843
PRC value-added tax ("VAT") and other tax receivables		14,649	10,640
Current portion of prepaid land lease payments	14	7,258	3,901
		65,530	299,909
Less: Classified as non-current asset		–	(107,047)
Classified as current assets		65,530	192,862

At 31 December 2015, the Group recorded in deposits and other debtors a receivable from 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement, Ltd. ("Dajincang"), a former major supplier of corn kernels of the Group, of approximately HK$223 million (VAT inclusive but net of impairment) resulting from stock return of certain corn kernels to Dajincang by one of the Company's subsidiaries during the year ended 31 December 2014.

On 14 April 2016, the Subsidiaries entered into an agreement with the Former Purchaser (the "Asset Disposed Agreement"), to dispose of, among others, the receivable from Dajincang at a consideration of approximately RMB172 million (equivalent to HK$204 million) (VAT exclusive). With respect to the payment schedule of the consideration, RMB68 million, RMB52 million and RMB52 million should be payable on or before 31 December 2016, 31 December 2017 and 31 December 2018 respectively. An impairment loss of HK$109 million was recognised in respect of the receivable from Dajincang during the year ended 31 December 2015 with reference to the estimated fair value of the consideration for the disposal.

In December 2016, the Company received a letter from the Former Purchaser proposing to terminate the Asset Disposal Agreement. Having considered the legal advice and the potential cost and time of initiating legal proceedings against the Former Purchaser, the directors have decided it is in the best interest of the Company to terminate the Asset Disposal Agreement.

On 2 March 2017, the Subsidiaries entered into an agreement with the Former Purchaser to terminate the Asset Disposal Agreement. All of the rights and obligations of the Subsidiaries and the Former Purchaser under the Asset Disposal Agreement were released accordingly.

The Directors have assessed the recoverability of the receivable from Dajincang based on past collection history and the latest unaudited financial information of Dajincang, and determined that the amount is not recoverable. Accordingly, further impairment loss on the outstanding balance of the receivable from Dajincang of approximately HK$217 million was recognised during the year ended 31 December 2016.

21. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	116,972	61,106
Guarantee deposits	–	1,201
Time deposits	–	22,983
	116,972	85,290
Less:		
Pledged deposits for financial products	–	(1,201)
Pledged deposits for issuance of bills payable	–	(22,983)
Cash and cash equivalents	116,972	61,106

At the end of the reporting period, the cash and bank balances, guarantee deposits and time deposits of the Group denominated in Renminbi amounted to HK$77,864,000 (2015: HK$62,931,000). Renminbi is not freely convertible into other currencies. However, under relevant regulations in Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

22. TRADE AND BILLS PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables	140,697	172,927
Bills payable	–	22,983
	140,697	195,910

The Group normally obtains credit terms ranging 30 to 90 days from its suppliers. The amounts of trade and bills payables approximate to their fair values.

22. TRADE AND BILLS PAYABLES *(continued)*

Ageing analysis of the trade and bills payables at the end of the reporting period, based on the date of receipt of goods purchased, is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 month	33,853	85,378
1 to 2 months	2,485	14,093
2 to 3 months	513	2,492
Over 3 months	103,846	93,947
	140,697	195,910

23. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Payables for purchases of machinery	10,141	23,997
Customer deposits and receipts in advance	27,452	27,937
VAT and other duties payable	104,571	92,893
Accrued expenses	62,052	71,552
	204,216	216,379

24. INTEREST-BEARING BANK BORROWINGS

	2016			2015		
	Effective interest rate %	Maturity	Amount HK$'000	Effective interest rate %	Maturity	Amount HK$'000
Current						
Bank loans						
— Unsecured	4.350%-6.000%	2017	367,222	5.355%-6.765%	On demand / 2016	632,143
— Secured	4.568%-7.995%	2017	241,111	4.568%-7.995%	2016	71,428
			608,333			703,571
Non-current						
Bank loans						
— Unsecured	4.275%	2019	100,000	—	—	—
— Secured	4.275%	2019	100,000	7.995%	2017	190,476
			200,000			190,476
			808,333			894,047

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	608,333	703,571
In the second year	—	190,476
In the third to fifth years	200,000	—
	808,333	894,047

Notes:

(a) At 31 December 2016, the Group's bank borrowings amounting to HK$341,111,000 (2015: HK$261,904,000) were secured by pledge of certain of the Group's property, plant and equipment and prepaid land lease payment amounting to HK$646,084,000 (2015: HK$204,445,000) and HK$53,559,000 (2015: HK$60,986,000), respectively.

(b) At 31 December 2016, all (2015: all) of the Group's bank borrowings were denominated in Renminbi.

(c) A subsidiary of the Company has failed to fulfill certain financial covenants in respect of its bank loans in the aggregate amount of HK$249 million at 31 December 2016 which, in accordance with the respective loan agreements, will be due in September 2017. The breach of the financial covenants entitles the lender to, among others, declare the loans together with accrued interests and other sums immediately due and payable, and may also trigger cross default provisions of other loans of the Group of HK$242 million. The Group is in the process of obtaining relevant waivers regarding the breach of the financial covenants and the cross default provisions.

25. DEFERRED INCOME

Deferred income represents government grants received by the Group for purchasing or constructing property, plant and equipment, which is recognised in profit or loss on a straight-line basis over the estimated useful lives of the related assets.

26. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and deferred tax liabilities have been offset. Analysis of the deferred tax balances for financial reporting purposes is as follows:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	(20,874)	—
Deferred tax liabilities	22,981	107,110
Deferred tax liabilities, net	2,107	107,110

The movements in the deferred tax liabilities and the deferred tax assets of the Group during the year are as follows:

	Notes	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of leasehold buildings HK$'000	Total HK$'000
Deferred tax liabilities					
At 1 January 2015		41,251	50,912	16,393	108,556
Credited to profit or loss	10	(146)	—	—	(146)
Debited to equity		—	—	1,851	1,851
Exchange realignment		(3,151)	—	—	(3,151)
At 31 December 2015 and 1 January 2016		37,954	50,912	18,244	107,110
Credited to profit or loss	10	(21,908)	(50,912)	—	(72,820)
Credited to equity		—	—	(5,348)	(5,348)
Exchange realignment		(5,961)	—	—	(5,961)
At 31 December 2016		10,085	—	12,896	22,981

26. DEFERRED TAX *(continued)*

	Notes	Depreciation in excess of depreciation allowance HK$'000	Others HK$'000	Total HK$'000
Deferred tax assets				
At 1 January 2015		—	969	969
Charged to profit or loss	10	—	(969)	(969)
At 31 December 2015 and 1 January 2016		—	—	—
Credited to profit or loss	10	12,832	8,042	20,874
At 31 December 2016		12,832	8,042	20,874

The Group had accumulated tax losses arising in Hong Kong of approximately HK$47,761,000 (2015: HK$47,761,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

In addition, the Group had accumulated tax losses arising in Mainland China of approximately HK$1,210,708,000 (2015: HK$1,033,552,000) that were available for offsetting against future taxable profits of the companies in which the losses arose. These tax losses will expire from the year ending 31 December 2017 to the year ending 31 December 2021 (2015: year ending 31 December 2016 to the year ending 31 December 2020). Furthermore, the Group had deductible temporary differences of approximately HK$85,500,000 at 31 December 2016. The directors consider that no deferred tax assets should be recognised as the directors consider that it is uncertain whether future taxable profits can be generated by these companies to offset against these tax losses and deductible temporary differences.

At 31 December 2016 and 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. The directors consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$259,631,000 at 31 December 2016 (2015: HK$257,260,000).

27. SHARE CAPITAL

	2016 HK$'000	2015 HK$'000
Authorised:		
100,000,000,000 (2015: 100,000,000,000) ordinary shares of HK$0.10 each	**10,000,000**	10,000,000
Issued and fully paid:		
1,527,586,000 (2015: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

28. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's eligible employees, non-executive directors, suppliers of goods or services to the Group, customers of any member of the Group, shareholders of the Group, advisers or consultants of the Group, and any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. Share options granted to a substantial shareholder of the Company, or an independent non-executive director or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which may commence from the date of acceptance of the grant of share options but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination under the Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

	2016		2015	
	Weighted average exercise price HK$	Number of options '000	Weighted average exercise price HK$	Number of options '000
At 1 January	1.67	16,000	1.67	24,900
Lapsed during the year	1.67	(16,000)	—	—
Forfeited during the year	—	—	1.67	(8,900)
At 31 December	—	—	1.67	16,000

Details of the share options outstanding at the end of the reporting period are as follows:

Exercise period	Grant date	The closing price immediately preceding the date of grant HK$	Exercise price* HK$	Number of options 2016 '000	Number of options 2015 '000
11-7-2011 to 10-7-2016	11-7-2011	1.67	1.67	—	16,000

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

All the outstanding share options at the end of the reporting period were granted during the year ended 31 December 2011 with fair value of HK$0.59 each. There were no additional share options granted during the years ended 31 December 2016 and 2015.

29. FINANCIAL GUARANTEES

A subsidiary together with certain fellow subsidiaries of the Company had jointly provided corporate guarantees to a bank in Mainland China in respect of banking facilities granted to Dajincang starting from year 2010 (the "Financial Guarantee Contracts"). The maximum amount of the banking facilities was RMB2.5 billion at 31 December 2014, 2015 and 2016. The directors have tried to engage a professional valuer to assess the fair value of the Financial Guarantee Contracts. However, since the directors were unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the consolidated financial statements in respect of the Financial Guarantee Contracts.

30. COMMITMENTS

(a) Capital commitments

At 31 December 2016, the Group had capital commitments as follows:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Plant and machinery	68,814	—

(b) Commitments under operating leases

The Group leases certain land and buildings under operating leases, which typically run for a period of three to twenty years.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	2,660	764
In the second to fifth years inclusive	2,556	969
Over five years	625	834
	5,841	2,567

31. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year ended 31 December 2016:

(i) Transactions with related parties

	Notes	2016 HK$'000	2015 HK$'000
Purchases from fellow subsidiaries			
— Corn starch	(a)	90,323	55,265
— Lysine and other corn refined products	(a)	10,366	—
— Equipment and spare parts	(d)	249	208
Reimbursement of cost of utilities provided by a fellow subsidiary	(b)	3,338	3,051
Rental expense paid to a fellow subsidiary	(c)	2,398	203
Sales to fellow subsidiaries			
— Equipment and spare parts	(d)	—	2,551

31. RELATED PARTY TRANSACTIONS *(continued)*

(i) Transactions with related parties *(continued)*

Notes:

(a) The Group sourced corn starch and lysine and other corn refined products from fellow subsidiaries. These purchases were made at prices based on the agreements between the parties.

(b) The Group used the utilities facilities provided by a fellow subsidiary. The utility costs were charged based on actual costs incurred by the fellow subsidiary.

(c) The Group leased certain land and premise from a fellow subsidiary. The rental expense was charged based on lease agreements signed between the parties.

(d) The Group sold certain equipment and spare parts to fellow subsidiaries and purchased certain equipment from a fellow subsidiary at the consideration of HK$Nil and HK$249,000 (2015: HK$2,551,000 and HK$208,000) respectively. The consideration was mutually agreed between the relevant parties.

(ii) Balances with related parties

The balances with fellow subsidiaries are unsecured, interest-free and have no fixed term of repayment. The carrying amounts of these balances approximate to their fair values.

During the year ended 31 December 2016, amount due to the ultimate holding company and amounts due from fellow subsidiaries in aggregate of HK$231 million were assigned to or offset against amounts due to fellow subsidiaries pursuant to offsetting agreements entered into between relevant parties.

During the year ended 31 December 2015, amounts due from the immediate holding company and fellow subsidiaries in aggregate of HK$162 million were offset against amounts due to the ultimate holding company and fellow subsidiaries pursuant to offsetting agreements entered into between relevant parties.

(iii) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group who are directors of the Company is set out in note 8 to the consolidated financial statements.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The carrying amounts of each category of financial instruments of the Group at the end of the reporting period are as follows:

Financial assets

	Loans and receivables	
	2016 HK$'000	2015 HK$'000
Trade and bills receivables	**193,026**	167,640
Financial assets included in prepayments, deposits and other receivables	**22,172**	261,843
Due from fellow subsidiaries	**—**	40,560
Pledged deposits	**—**	24,184
Cash and cash equivalents	**116,902**	61,106
	332,100	555,333

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Financial liabilities

	Financial liabilities at amortised cost	
	2016	2015
	HK$'000	HK$'000
Trade and bills payables	**140,697**	195,910
Financial liabilities included in other payables and accruals	**62,053**	95,549
Interest-bearing bank borrowings	**803,333**	894,047
Due to fellow subsidiaries	**190,636**	—
	1,196,719	1,185,506

The directors consider that the carrying amounts of the financial assets and financial liabilities in the consolidated financial statements approximate to their fair values.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing bank borrowings.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flow position of the Group and the debt market, and the Group would refinance its borrowings at a lower cost of debt when considered appropriate.

The Group's revenue and operating cash flows are substantially independent of changes in market interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in interest rate	**Increase/ (decrease) in loss before tax**
	%	HK$'000
2016	1/(1)	4,886/(4,886)
2015	1/(1)	4,595/(4,595)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with a result that the Group's exposure to bad debts is not significant.

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, pledged deposits, trade and bills receivables, amounts due from related parties and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets.

Since the Group trades only with recognised and creditworthy third parties and fellow subsidiaries, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 19 and 20 to the consolidated financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents or available funding through an adequate amount of committed annual borrowing facilities from banks to meet its commitments over the following years in accordance with its strategic plan.

The maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2016

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade and bills payables	–	140,697	–	–	–	140,697
Financial liabilities included in other payables and accruals	62,053	–	–	–	–	62,053
Due to fellow subsidiaries	190,636	–	–	–	–	190,636
Interest-bearing bank borrowings	–	21,680	619,733	201,566	–	842,979
	252,689	162,377	619,733	201,566	–	1,236,365

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

At 31 December 2015

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade and bills payables	—	180,070	15,840	—	—	195,910
Financial liabilities included in other payables and accruals	95,549	—	—	—	—	95,549
Interest-bearing bank borrowings	—	228,317	504,361	202,730	—	935,408
	95,549	408,387	520,201	202,730	—	1,226,867

In addition, as disclosed in note 29 to the consolidated financial statements, the Group may be required to make payments in respect of the Financial Guarantee Contracts up to a maximum amount of RMB2.5 billion at 31 December 2016 (2015: RMB2.5 billion).

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. Net debt represents interest-bearing bank borrowings less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratio at the end of the reporting periods is as follows:

	2016 HK$'000	2015 HK$'000
Interest-bearing bank borrowings	808,333	894,047
Less: Cash and cash equivalents	(116,972)	(61,106)
Net debt	691,361	832,941
Equity attributable to owners of the Company	17,773	184,712
Gearing ratio	3,890%	451%

33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Global Sweeteners (HK) Limited	Hong Kong	HK$1,000 (2015: HK$1,000)	100	General administration
Indirectly held:				
Changchun Dihao Foodstuff Development Co., Ltd.*	The PRC	RMB179,700,000 (2015: RMB179,700,000)	100	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	The PRC	US$22,200,000 (2015: US$22,200,000)	100	Manufacture and sale of crystallised sugar
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	The PRC	US$59,504,000 (2015: US$49,504,000)	100	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd.*	The PRC	US$7,770,000 (2015: US$7,770,000)	100	Manufacture and sale of corn based sweetener products
Shanghai Hao Cheng Food Development Co., Ltd.*	The PRC	US$9,668,000 (2015: US$9,668,000)	100	Manufacture and sale of corn based sweetens products
Shanghai Shangying Trading Co., Ltd.*	The PRC	RMB5,000,000 (2015: RMB5,000,000)	100	Trading of corn based sweetener products
Global Sweeteners Trade Development (Dalian) Co., Ltd.*	The PRC	US$9,100,000 (2015: US$9,100,000)	100	International trading

* *Wholly-foreign-owned enterprise*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the financial performance of the Group for the year or formed a substantial portion of the net liabilities/assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

34. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries		–	–
		–	–
CURRENT ASSETS			
Due from subsidiaries		468,615	641,000
Prepayments, deposits and other receivables		623	709
Cash and cash equivalents		6,104	4,682
		475,342	646,391
CURRENT LIABILITIES			
Due to subsidiaries		403,359	424,556
Other payables and accruals		2,881	5,538
		406,240	430,094
NET CURRENT ASSETS		69,102	216,297
TOTAL ASSETS LESS CURRENT LIABILITIES		69,102	216,297
NON-CURRENT LIABILITIES			
Financial guarantee contracts	34(a)	57,548	38,190
		57,548	38,190
Net assets		11,554	178,107
EQUITY			
Share capital		152,759	152,759
Reserves	34(b)	(141,205)	25,348
Total equity		11,554	178,107

Approved and authorised for issue by the board of directors on 29 March 2017 and signed on its behalf by

Kong Zhanpeng
Director

Zhang Zihua
Director

34. THE COMPANY'S STATEMENT OF FINANCIAL POSITION *(continued)*

(a) Financial guarantee contracts

The fair value of the financial guarantee contracts provided by the Company in respect of banking facilities granted to certain of its subsidiaries at 31 December 2016 has been determined with reference to a valuation provided by an independent professional valuer.

(b) Reserves

	Contributed surplus HK$'000	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	491,695	1,074,879	14,691	(803,886)	777,379
Loss and total comprehensive loss for the year	—	—	—	(752,031)	(752,031)
Transfer upon forfeiture of share options	—	—	(5,251)	5,251	—
At 31 December 2015 and 1 January 2016	491,695	1,074,879	9,440	(1,550,666)	25,348
Loss and total comprehensive loss for the year	—	—	—	(166,553)	(166,553)
Transfer upon lapse of share options	—	—	(9,440)	9,440	—
At 31 December 2016	491,695	1,074,879	—	(1,707,779)	(141,205)

Note: The contributed surplus of the Company represents the difference between the cost of investments in subsidiaries pursuant to a reorganisation in a prior year and the nominal value of the Company's shares issued therefor.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

35. EVENTS AFTER THE REPORTING PERIOD

As mentioned in note 2.2 to the consolidated financial statements, in March 2017, GBT and the Company received a letter of intent from an independent third party expressing its interest in acquiring the Relevant Properties (including the Changchun Land and Changchun Buildings) at an aggregate consideration of not less than RMB2.2 billion, subject to the final price to be determined by way of auction.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for the issue by the board of directors on 29 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted (and as restated and reclassified) from the published audited consolidated financial statements is set out below.

	Year ended 31 December				
	2016* HK$'000	2015# HK$'000	2014# HK$'000	2013 HK$'000	2012 HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	995,218	1,648,981	2,919,716	4,200,019	4,520,146
Cost of sales	(890,960)	(1,568,695)	(3,109,569)	(4,062,266)	(4,169,239)
Gross profit/(loss)	104,258	80,286	(189,853)	137,753	350,907
Other income and gains	153,726	38,029	130,830	46,113	49,581
Selling and distribution costs	(83,982)	(87,702)	(213,562)	(237,843)	(255,812)
Administrative expenses	(115,329)	(100,640)	(108,610)	(113,273)	(108,830)
Other expenses	(264,700)	(611,821)	(621,620)	(39,201)	(15,773)
Finance costs	(48,451)	(65,360)	(79,438)	(97,255)	(127,749)
Share of losses of joint ventures	—	—	—	—	(1,324)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	(254,478)	(747,208)	(1,082,253)	(303,706)	(109,000)
Income tax credit/(expense)	92,120	(6,559)	(10,983)	(11,126)	(24,756)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(162,358)	(753,767)	(1,093,236)	(314,832)	(133,756)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	—	—	—	(5,397)	(119,819)
LOSS FOR THE YEAR	(162,358)	(753,767)	(1,093,236)	(320,229)	(253,575)
Attributable to:					
Owners of the parent	(162,358)	(753,454)	(1,093,115)	(319,959)	(247,494)
Non-controlling interests	—	(313)	(121)	(270)	(6,081)
	(162,358)	(753,767)	(1,093,236)	(320,229)	(253,575)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
TOTAL ASSETS	1,412,771	1,617,472	2,728,452	4,467,813	5,233,342
TOTAL LIABILITIES	(1,400,791)	(1,438,985)	(1,804,552)	(2,430,630)	(2,909,388)
NON-CONTROLLING INTERESTS	5,793	6,225	6,237	6,195	5,778
	17,773	184,712	930,137	2,043,378	2,329,732

* Details of the disclaimer of audit opinion are set out in the independent auditor's report on page 50 to page 52.

\# Disclaimer of audit opinion was issued in respect of the Group's consolidated financial statements for the years ended 31 December 2015 and 2014. Please refer to the Company's 2015 and 2014 annual reports for details.