GLOBAL SWEETENERS HOLDINGS LIMITED
大成糖業控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Change %
Revenue (HK$'Mn)	**995**	1,649	(39.6)
Gross profit (HK$'Mn)	**104**	80	29.9
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

* *For identification purposes only*

The board ("Board") of directors ("Directors") of Global Sweeteners Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016 (the "Year"), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
REVENUE	*4*	**995,218**	1,648,981
Cost of sales		**(890,960)**	(1,568,695)
Gross profit		**104,258**	80,286
Other income and gains	*4*	**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	*5*	**138,937**	(358,936)
Impairment of prepaid land lease payment	*5*	**—**	(5,135)
Impairment of trade and bills receivables, net	*5*	**(3,184)**	—
Write-off of trade and bills receivables	*5*	**—**	(10,750)
Impairment of prepayments and other receivables	*5*	**(229,740)**	(109,184)
Other expenses		**(31,776)**	(127,816)
Finance costs	*6*	**(48,451)**	(65,360)
LOSS BEFORE TAX	*5*	**(254,478)**	(747,208)
Income tax credit/(expense)	*7*	**92,120**	(6,559)
LOSS FOR THE YEAR		**(162,358)**	(753,767)
OTHER COMPREHENSIVE (LOSS)/INCOME			
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	*10*	**(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)

	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	*9*		
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	*10*	**780,869**	408,312
Prepaid land lease payments		**140,615**	85,107
Deposits paid for acquisition of property, plant and equipment		**170**	354
Goodwill	*11*	**—**	—
Prepayments, deposits and other receivables	*14*	**—**	107,047
Other intangible assets		**3,243**	3,243
		924,897	604,063
CURRENT ASSETS			
Inventories		**112,346**	161,975
Trade and bills receivables	*12*	**193,026**	167,640
Prepayments, deposits and other receivables	*14*	**65,530**	192,862
Due from fellow subsidiaries		**—**	40,560
Pledged deposits		**—**	24,184
Cash and cash equivalents		**116,972**	61,106
		487,874	648,327
Non-current assets held for sale	*13*	**—**	365,082
		487,874	1,013,409
CURRENT LIABILITIES			
Trade and bills payables	*15*	**140,697**	195,910
Other payables and accruals		**204,216**	216,379
Interest-bearing bank borrowings		**608,333**	703,571
Due to fellow subsidiaries		**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

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**200,000**	190,476
Deferred income		**31,600**	—
Deferred tax liabilities		**2,107**	107,110
		233,707	297,586
NET ASSETS		**11,980**	178,487
EQUITY			
Issued capital	*16*	**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

Notes:

1. CORPORATE INFORMATION

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 Group is 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 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, financial guarantees were first granted by certain subsidiaries of the Company during November 2010 to March 2015 as disclosed in the announcement made by the Company dated 31 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 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") 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"). Any potential liabilities or obligations arising from the New Financial Guarantee Contracts 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.

(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 People's Republic of China (the "PRC" or "Mainland China") 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 吉林省太陽神建築工程有限公司(Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Former Purchaser") to terminate the property disposal agreement dated 14 April 2016 and entered into between the Former Purchaser and certain members of the Group (the "Property Disposal Agreement") in respect of the sale and purchase of pieces of land in Lu Yuan District, Changchun, the PRC and the buildings erected thereon ("Relevant Properties"); and the asset disposal agreement dated 14 April 2016 and entered into between the Former Purchaser and certain members of the Group (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"). During the negotiation process with the Former Purchaser with respect to the termination of the sale and purchase of the Relevant Properties and Relevant Assets, the Company, together with GBT, have been in discussion with another potential purchaser regarding the sale and purchase of Relevant Properties. Pursuant to a memorandum of understanding entered into between the GBT Group (including the Group) and the potential purchaser, it is expected that the potential purchaser will purchase the land and buildings owned by the various subsidiaries of the Company and GBT with a total consideration of not less than RMB2.2 billion, subject to the price to be determined by way of auction. Although the proposed disposal is still at a preliminary stage of negotiation, given the potential purchaser is a municipal government owned enterprise, the management is prudently optimistic that the disposal will be materialised. 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.

(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, 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 ("Letter of Support of Jiaotou") from the then indirect controlling shareholder of the GBT, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou"), 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 Letter of Support of Jiaotou 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 New Financial Guarantee Contracts. Such assistance received by the Group is not secured by any assets of the Group.

Nongtou, being a State-owned background, was established in August 2016 and its paid up registered capital amounted to only RMB461 million as at the date of this announcement, 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 commit to 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) 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 are not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

3. 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.

The management 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	**229,460**	**280**	**—**	**229,740**

Year ended 31 December 2015

	Corn refined products *HK$'000*	Corn based sweetener products *HK$'000*	Total *HK$'000*
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

Geographical information

(a) Revenue information based on locations of customers

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

Information about a major customer

Details of major customers 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)

4. 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	2015
	HK$'000	*HK$'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.

5. 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		**2,398**	203
Depreciation	*10*	**38,955**	134,350
Amortisation of prepaid land lease payments		**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	*10*	**(138,937)**	358,936
Impairment of prepaid land lease payment		**—**	5,135
(Reversal of write-down)/Write-down of inventories, net		**(870)**	10,894
Impairment/(Reversal of impairment) of trade and bills receivables, net	*12*	**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		**229,740**	109,184

6. 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

7. 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.

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

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

9. 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.

10. PROPERTY, PLANT AND EQUIPMENT

		2016	2015
	Note	***HK$'000***	*HK$'000*
At 1 January		**408,312**	1,194,463
(Loss)/Gain on revaluation		**(21,390)**	7,404
Additions		**52,544**	17,837
Disposals		**(10)**	(318)
Classified from/(to) non-current assets held for sale	*13*	**266,476**	(286,326)
Reversal of impairment/(Impairment)	*5*	**138,937**	(358,936)
Depreciation	*5*	**(38,955)**	(134,350)
Exchange realignment		**(25,045)**	(31,462)
At 31 December		**780,869**	408,312

11. GOODWILL

	2016	2015
	HK$'000	*HK$'000*
Cost	**183,538**	183,538
Impairment	**(183,538)**	(183,538)
Carrying amount	**—**	—

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

12. TRADE AND BILLS RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivable	**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% of the total trade and bills receivables at 31 December 2016 (2015: three customers accounted for 56%).

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

	2016	2015
	HK$'000	*HK$'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

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

		2016	2015
		HK$'000	*HK$'000*
At 1 January		**87,300**	106,933
Impairment losses recognised	*5*	**3,731**	339
Impairment losses reversed	*5*	**(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 provision for 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	2015
	HK$'000	*HK$'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 management of the Company 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.

13. NON-CURRENT ASSETS HELD FOR SALE

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.

Despite the Group's 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 and the Asset 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 and the Asset Disposal Agreement is of the best interest of the Company. On 2 March 2017, the Group entered into an agreement with the Former Purchaser to terminate the Property Disposal Agreement and the Asset Disposal Agreement. All of the rights and obligations of the Group and the Former Purchaser under the Property Disposal Agreement and the Asset Disposal Agreement were released accordingly.

Consequently, the Relevant Properties were reclassified from non-current assets held for sale to prepaid land lease payments and property, plant and equipment (note 10) respectively.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Prepayments	**21,451**	23,525
Deposits and other receivables	**22,172**	261,843
PRC value-added tax and other tax receivables	**14,649**	10,640
Current portion of prepaid land lease payments	**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 receivables a receivable from Dajincang, a former major supplier of corn kernels of the Group, of approximately HK$223 million (value-added tax ("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, certain subsidiaries of the Company entered into the Asset Disposal Agreement with the Former Purchaser, 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.

As disclosed in the joint announcement by the Company and GBT dated 2 March 2017, the Group entered into an agreement with the Former Purchaser to terminate the Property Disposal Agreement and the Asset Disposal Agreement. All of the rights and obligations of the Group 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.

15. TRADE AND BILLS PAYABLES

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

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	2015
	HK$'000	*HK$'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

16. SHARE CAPITAL

	2016	2015
	HK$'000	*HK$'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

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is the extract of the draft independent auditor's report from Mazars CPA Limited, the external auditor of the Company (the "Auditor"), on the Group's consolidated financial statements for the Year:

DISCLAIMER OF OPINION

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 (Cap.622, Laws of Hong Kong).

BASIS FOR DISCLAIMER OF OPINION

(i) Financial guarantee contracts

As mentioned in note 2.2 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 approximately 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 GBT, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.), provided a confirmation in writing that it would 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 "Letter of Support of Jiaotou"). The Financial Guarantee Contracts and the Letter of Support of Jiaotou were not recognised in the consolidated financial statements. As the management had not developed and applied an appropriate accounting policy for the Letter of Support of Jiaotou, 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 HKFRSs issued by 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 Letter of Support of Jiaotou 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.

(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 the Directors' impairment assessment.

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 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.

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 interim report of the Company for the six months ended 30 June 2016 (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 Dajincang 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 BOC to guarantee the obligations of the Supplier under the new supplier loan. As at the date of this announcement, BOC had not taken steps to enforce the New Financial Guarantee Contracts.

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.

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 in this announcement for details.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is 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). In addition, the Group is the sole distributor of the GBT Group in the Huadong Region for the sale of 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, 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 PRC, 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 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 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 figures 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.

FINANCIAL PERFORMANCE

Due to 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 such, the Group recorded a loss for the Year of approximately HK$162.4 million (2015: HK$753.8 million).

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 sites.

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 benefited 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 selling 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 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 slightly 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, which 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 assessment on certain plant and machineries of the Group. 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 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$223 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 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 to monitor the cash flow of the Company and to maintain good relationship with banks, the Group has not experienced any difficulties in renewing the existing banking facilities as of the date of this announcement.

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 level decreased by 30.6% to approximately HK$112.3 million (31 December 2015: HK$162.0 million) while the cost of sales decreased by 43.2% to approximately HK$891.0 million (2015: 1,568.7 million). As such 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 announcement.

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 Directors 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.

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 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 commissions.

FINAL DIVIDEND

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

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.

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 is the chairman ("Chairman") and chief executive officer ("CEO") of the Company during the Year. However, as at 23 March 2017, Mr. Wang Jian has resigned as an executive Director and has ceased to be the Chairman but will remain as a the CEO of the Company. Mr. Kong Zhanpeng has been appointed as the Chairman subsequently.

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, a member and chairman of the Corporate Governance Committee, and a member and chairman of 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.

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 three independent non-executive Directors namely 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 Auditors to review the Company's financial reporting process, the effectiveness of internal controls, audit process and risk management.

The Group's annual results for the Year have been reviewed by the Audit Committee.

FULL DETAILS OF FINANCIAL INFORMATION

The annual report of the Company, including the information required by the Listing Rules, will be published on the websites of the Company (www.global-sweeteners.com) and the Stock Exchange (www.hkexnews.hk) in due course.

ANNUAL GENERAL MEETING

The 2016 annual general meeting ("AGM") of the Company will be held at Room 1, United Conference Centre, 10/F., United Centre, 98 Queensway, Admiralty, Hong Kong on 22 May 2017 at 10:30 a.m.. Notice of the AGM will be published on the websites of the Company (www.global-sweeteners.com) and the Stock Exchange (www.hkexnews.hk), and will be dispatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 17 May 2017 to Monday, 22 May 2017, both days inclusive, during which period no transfer of shares will be registered, in order to determine the shareholders' entitlements to the attendance at the annual general meeting.

Shareholders are reminded that in order to qualify for the attendance at the AGM, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 May 2017.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's Auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

By order of the Board
Global Sweeteners Holdings Limited
Lee Chi Yung
Company Secretary

Hong Kong, 29 March 2017

As at the date of this announcement, the board of Directors comprises two executive Directors, namely, Mr. Kong Zhanpeng and Mr. Zhang Zihua; and three independent non-executive Directors, namely, Mr. Ho Lic Ki, Mr. Lo Kwing Yu and Mr. Yuen Tsz Chun.