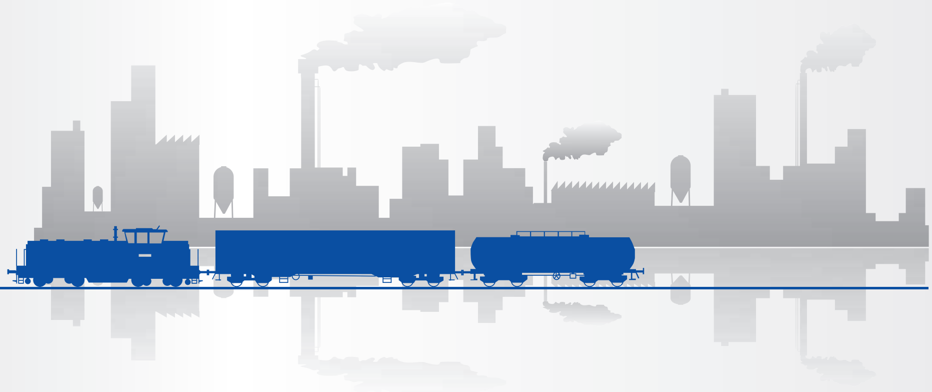
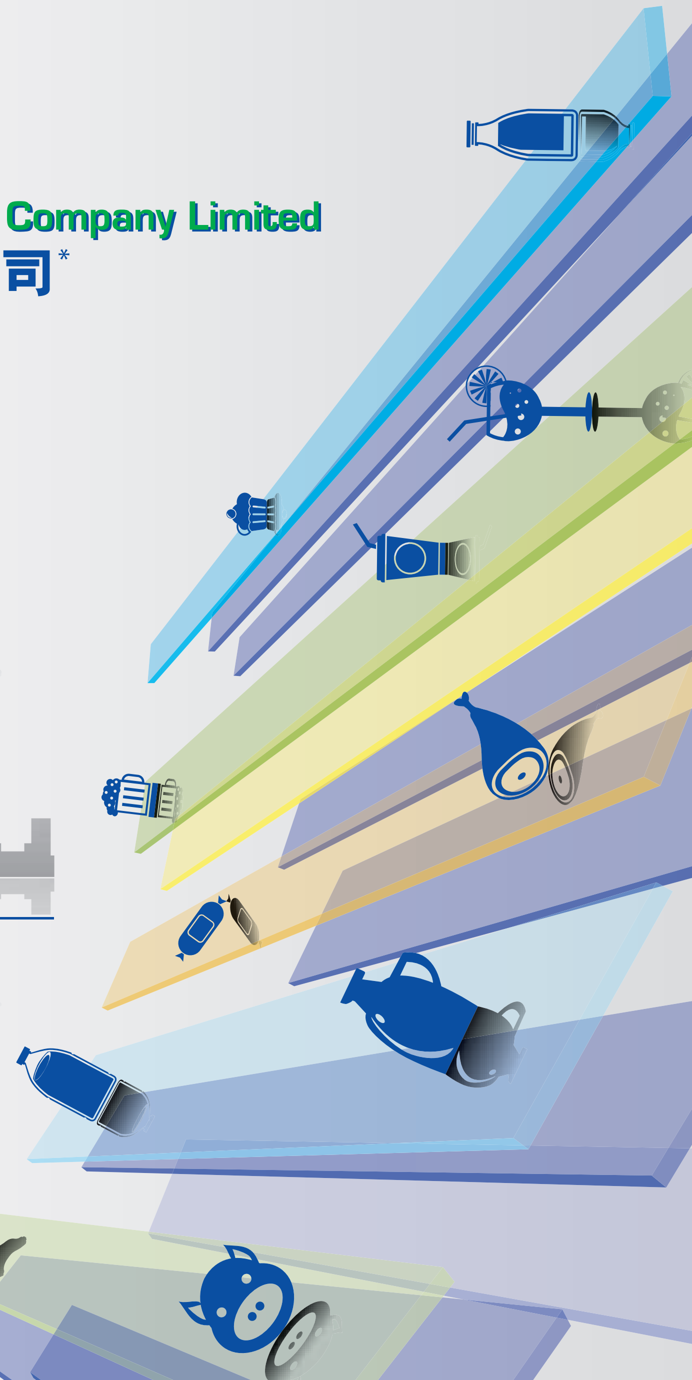
GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809



ANNUAL REPORT 2016



* For identification purpose only

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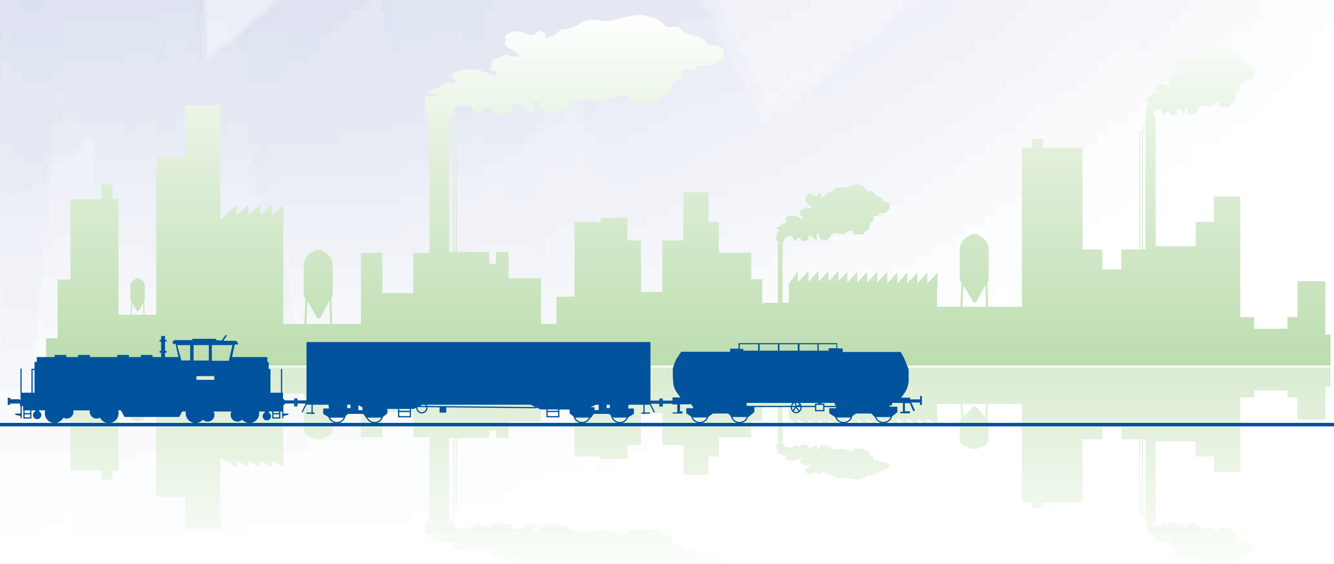


Financial Highlights

	2016	2015	Change %
Revenue (HK$'Mn)	**3,883**	3,352	15.8
Gross profit (loss) (HK$'Mn)	**316**	(259)	N/A
Loss for the year (HK$'Mn)	**(1,912)**	(2,271)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(1,851)**	(1,996)	N/A
Basic loss per share (HK cents)	**(29)**	(51)	N/A
Proposed final dividend per share (HK cents)	**–**	–	N/A

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Yuan Weisen *(Chairman)*
(appointed on 23 March 2017)
Mr. Zhang Zihua *(appointed on 23 March 2017)*
Ms. Wang Qiu *(resigned on 23 March 2017)*
Mr. Wang Jian *(resigned on 23 March 2017)*
Mr. Li Shuguang *(resigned on 23 March 2017)*
Ms. Liu Fang *(retired on 6 June 2016)*

Non-executive Directors
Mr. Qiu Zhuang *(resigned on 23 March 2017)*
Mr. Xing Lizhu *(resigned on 23 March 2017)*

Independent non-executive Directors
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam
Ms. Chiu Lai Ling, Shirley
(appointed on 16 March 2016)

COMPANY SECRETARY

Mr. Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITOR

World Link CPA Limited
5th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

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

The Agriculture Bank of China
6 Beian Road
Nanguan District
Changchun, Jilin Province
The People's Republic of China

China Construction Bank
No. 810 Xian Road
Changchun, Jilin Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
Cricket Square
PO Box 1093, Boundary Hall
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

During the year under review, as the management's effort in restructuring the Group's corporate governance and operation management gradually takes effect, the Group's business has been back on track to stable development. In addition, leveraging on the support from its controlling shareholder, the Group's capital resources have been strengthened with lower finance cost, paving the way for its long-term sustainable development. The significant rebound in the price of the Group's downstream product, lysine, in the fourth quarter of the year, together with improved operating efficiency led to improvement in the Group's full-year performance. During the year under review, not only had the Group's revenue increased, the Group also recorded a gross profit of HK$316.0 million. However, due to the significant amounts of depreciation, interest expenses and one-off provision, the Group continued to record a net loss for the year.

BUSINESS REVIEW

The agricultural policy reform has allowed corn price to be market driven; adding that the Jilin Provincial Government started to grant corn procurement subsidies to qualified corn processing enterprises in the harvest season of the year – all these have enabled the Group to lower its corn cost in the province. Such effects have been reflected in the Group's operating results as the Group's upstream business recorded a gross profit for the second half of the year. However, it was insufficient to offset the loss during the first half of the year, resulting in a gross loss from the upstream business for the full year.

The Group's upstream production serves as a feedstock for its downstream production, which has strategic value for the overall operation. Notwithstanding the improvement of the upstream business, the management will continue to exercise prudent control measures to determine the output of upstream products based on its products demand to avoid piling up of inventory.

The price of the Group's major product, lysine, has been volatile in 2016. As affected by the high corn cost and sluggish demand, lysine price continued its weak trends from 2015 at the beginning of the year. With the industry's peak season arrived in the second half of the year and the effective control of output by major producers, lysine price began to stabilise. In addition, the severe weather conditions with the arrival of winter has paralysed the transportation network in Northern China. Consequently, the price of lysine has once surged to RMB18,000 per metric tonne during the fourth quarter of the year. During the year under review, the Group adhered to the strategy of production to orders to minimise inventory, so as to maintain stable operation of the lysine production lines, and ensure its steady cash flow and operation efficiency. During the year, the Group's amino acids business recorded a gross profit of HK$279.5 million.

As announced by the Group last year, the Group has entered into the property disposal agreements ("Property Disposal Agreements") dated 14 April 2016 (the "Property Disposal Agreements") 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 agreements ("Asset Disposal Agreements") dated 14 April 2016 (the "Asset Disposal Agreements") 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") with Jilin Province Taiyangshen Construction Engineering Co., Ltd (the "Former Purchaser"). The aforesaid transactions were approved by 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 Agreements were yet to be fulfilled. On the other hand, although all conditions precedent under the Asset Disposal Agreements have been fulfilled, the Former Purchaser in proposing to terminate the relevant Property

Disposal Agreements, has also proposed to terminate the Asset Disposal Agreements. In view of the costs and impact that may arise should a lawsuit be filed for the cancellation of the transactions, the Group's management is of the view that agreeing on the termination of the relevant agreements is in the interest of the Company. Therefore, the Group entered into the termination agreements with the Purchaser to terminate the Property Disposal Agreements and the Asset Disposal Agreements; at the same time, actively exploring other means to dispose of the Relevant Properties. The Group is now actively negotiating with other potential purchasers regarding disposal proposals.

According to the announcement made by the Company on 2 March 2017, due to consolidation of the State-owned assets in the agricultural sector in Jilin Province, the Group was informed that its original controlling shareholder Jilin Province Communication Investment Group Co., Ltd. ("Jiaotou") had injected approximately 49 per cent of the issued share capital of the Company held by Jiaotou into Jilin Agricultural Investment Group Co., Ltd. ("Nongtou"), making it the Company's controlling shareholder. As the new shareholder is also a subsidiary of State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province, it is believed that after the restructuring, Nongtou will exercise its influence in the agricultural sector in Jilin Province and continue to support the Group's business development. The introduction of the new shareholder is believed to create synergy with the Group's business.

OUTLOOK

At the beginning of 2017, the central government announced via the publication of the No. 1 Central Document on the further structural reform of the supply side in agricultural sector. The focus of the document is to redefine the relationship between government and market, to reinforce the reforms on the pricing and the reserves system of important agricultural products such as grain products, as well as to fine-tune the agricultural subsidy system. With respect to corn supply, apart from granting direct subsidies to corn farmers in the three northeast provinces and Inner Mongolia Autonomous Region, the central government also announced to grant subsidies to corn processing enterprises with production capacity of over 100,000 metric tonnes for purchasing and processing newly produced corn in these regions.

In the long run, the State's reform on the corn supply-side system will facilitate the pricing mechanism of domestic corn to be determined by market. The corn procurement subsidies will substantially ease the cost pressure for corn processers and contribute to the healthy and stable development of the market. However, market consolidation in the past years has not completely eliminated the excess capacity in the upstream corn refinery industry. As the supply demand imbalance remains, more time is needed for market recovery. As such, it is unlikely to see significant recovery in upstream products prices in the short term. Nonetheless, declining corn cost is conducive to the profitability of the upstream business and increases the competitiveness of the Group's products in overseas markets, which will ease the oversupply situation at home.

Influenced by the national agricultural policy reform, the Group's upstream corn processing business is expected to gradually return to profitability; especially after the completion of relocation, the unit cost of production at the Xinglongshan production base can be lowered through increased capacity utilisation. Such benefit is expected to be gradually reflected in 2018.

In respect of the lysine business, as the demand from the downstream livestock industry remains stable, significant growth in the market demand for lysine is unlikely. In the short run, the supply and demand of lysine, changes in the soybean (lysine's substitute) market and the possible outbreak of animal diseases will continue to cause fluctuation in lysine price. However, after the vicious cut-throat price competition in the past, lysine producers now tend to adopt a more rational business strategy and adjust their output to stabilise product price, which will facilitate the stable development of the industry. The Group will also continue to leverage its advantages in lysine production technology and scale production, fully utilise its extensive sales network to consolidate and further expand its customer base. At the same time, the Group is actively developing new amino acid products to broaden revenue source and further perfect its product mix.

As for the export business, the depreciation of Reminbi has made China-made products more competitive in overseas markets. In addition, the changes in national agricultural policy have restored the market pricing mechanism for domestic corn – all these will significantly increase the possibility of the export of corn related products.

Excluding the accounting adjustments made by the Group, significant improvements in the Group's revenue as well as gross profit have been observed during the year under review. And in light of the aforesaid favourable factors contributing to the industry's development and the plans as formulated by the Group, the Group is expected to return to profit in 2018.

Apart from the strong support from the Group's controlling shareholder, staff's dedication, support from banks and business partners, as well as the trust given by our shareholders to the management all account for the Group's improved performance. I would like to take this opportunity to express my deepest gratitude to all these parties. The Group's management team is determined to steer the Group back to healthy and steady development to realise the expectations of you all.

Chairman
Yuan Weisen

29 March 2017

Global Bio-chem Technology Group Company Limited (the "Company" or "GBT") and its subsidiaries (collectively, the "Group") is principally engaged in the manufacture and sale of corn refined products, amino acids, polyol chemicals and corn sweeteners. The upstream corn refinery segment serves as a feedstock which break down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream 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"), despite the continuous effort of the state government to stimulate economic growth and development, the economic growth in China remained slow. Sluggish demands in domestic market as well as overseas markets coupled with increasing costs have dragged down Chinese exports trade by 7.7% year-on-year. Although export trade figures improved by the end of the Year as weaker Renminbi ("RMB") had made Chinese products more attractive, uncertainties about growing global protectionism continued to put pressure on China's exports performance during the Year.

Global corn production continues to grow and is estimated to hit 1,040 million metric tonnes ("MT") for the year 2016/17, according to the estimates from the USDA. International corn price increased slightly to 425 US cents per bushel (equivalent to RMB1,160 per MT) (end of 2015: 406 US cents per bushel) by the end of the Year. In the People's Republic of China (the "PRC" or "China"), corn production in 2016/17 reaches 220 million MT (2015/16: approximately 225 million MT), with average market price lowered to approximately RMB1,735 per MT (end of 2015: RMB2,023 per MT) by the end of 2016. The lower domestic corn price was a result of the Chinese agricultural policy reforms. As disclosed in the Company's interim report for the six months ended 30 June 2016 ("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 direct subsidy programme in these provinces in 2016/17 corn harvest season. The scheme has restored market approach in the determination of agricultural products prices in China. In addition, certain provincial governments in northeast China introduced direct subsidies to corn refiners which purchase local corn during the harvest months of 2016. For instance, the Jilin provincial government and the Liaoning provincial government offer subsidies of RMB200 and RMB100, respectively, for qualified corn refiners for every MT of corn purchased locally during the months of October 2016 till the end of April 2017 which processed before June 2017. During the Year, the Group was entitled to HK$139 million of subsidies for the purchase of corn kernels for its operations in Jilin Province – the added cost advantage has contributed to the turnaround of the Group's upstream business in the second half of the Year.

Despite uncertainty about the plausible trade protectionism remains for China's exports performance, the normalised corn price in China coupled with the depreciation of RMB have enhanced the competitiveness of Chinese corn refined products and other downstream products. As a matter of fact, according to the figures recorded in January 2017, China exports trade rose by 7.9% year-on-year to US$182.81 billion. The positive outlook on China's exports could also help ease the pressure from overcapacity in the domestic market.

With respect to the Group's lysine business, years of consolidation has eliminated a number of inefficient capacities in the market. Although there is still overcapacity in China, industry players are moving towards building demands and promoting a healthier operating environment. Destructive pricing strategy and pushing out large volume are no longer common in the Chinese lysine market. Although short-term volatility in lysine prices driven by the prices of related products such as meat and soybean could be observed, the lysine market is gradually getting back to equilibrium. During the Year, lysine price has stayed within a healthy range of RMB8,000 to RMB10,000 per MT for most of the time of the Year with a surge in the fourth quarter to RMB18,000 per MT as a result of temporary shortage due to traffic obstruction caused by bad weather. Taking the advantage of the lower corn cost resulting from the provincial corn purchasing subsidies and improved production efficiency from the facility upgrade in the previous year, the management has been able to flexibly adjust and optimise facility utilisation in response to market changes during the Year. As a result, the Group's lysine segment has recorded gross profit for the Year as compared to gross loss for the previous year.

The operating environment for the Group's polyol chemical business continued to be challenging during the Year. The Group's research and development team is proactively looking at the possibility to restructure its product portfolio to include high value-added products in response to changing market needs. For instance, as announced by the Company on 10 March 2017, the Group has planned for the construction of a methanol production facility. The management will continue to observe the market and take prudent approach before resuming its polyol chemical business.

As for the cane sugar and sweeteners market, decreased production in various major sugar producing countries has 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) at its peak during the Year. In the PRC, cane sugar production dropped from 10.8 million MT to 9.0 million MT in 2015/16 harvest, with domestic sugar price once hit RMB7,119 per MT (2015: RMB5,517 per MT) during the Year. The increased sugar price in contrast with the decreased corn price has highlighted the cost advantage of corn sweeteners over cane sugar, raising customers' incentive to switch to corn sweeteners. Although estimates have shown that the World's sugar production will increase from approximately 165 million MT to approximately 171 million MT in the 2016/17 harvest, with the World's sugar consumption estimate at 174 million MT, shortage will continue for the year 2017. As such, the outlook on sugar and sweetener market remains positive.

As compared to the previous year, the overall operating environment has improved during the Year. While the lysine market gradually improves and the sweeteners market remains stable, changes in the operating environment for the corn refinery industry are expected to provide opportunities for corn refiners. A weaker RMB is expected to enhance the attractiveness of Chinese products in the overseas market, providing an outlet for the excess capacity in China. The Group will continue to strengthen its market position with its brand name and customer relationship management, further improve cost effectiveness through continuous research and development efforts, and at the same time, optimise utilisation rate to achieve operation efficiency in response to market moves. Internally, the Group is backed by its ultimate shareholder with state-owned enterprise background. Leveraging on the synergies as a result of the introduction and participation of the resourceful shareholder, the Group has been well-supported with strong financial support, enhanced relationship with bankers, favourable government policies and management capabilities. The synergistic effects have been reflected in the Company's improved performance for the Year.

UPDATE ON REMEDIAL MEASURES

The 2015 Financial Statements had been subject to the disclaimer of opinions of 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 2016 Interim Report, the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken as follows.

1. Impairment of non-current assets

As detailed in the 2015 Annual Report, an impairment assessment on certain property, plant and equipment of the Group at 31 December 2014 and 2015 was performed by the directors ("Directors"). 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.

During the Year, 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. The management also performed cash flow forecast and adopted discounted cash flow approach to assess the impairment on the Group's property, plant and equipment in 2016. Moreover, the relocation of production facilities of the Group from Luyuan District to the site in Xinglongshan, Changchun, will offer an opportunity to upgrade the production facilities as well as to re-adjust the product mix and production capacity to better suit current market needs. The board ("Board") expects all major upstream products and sweeteners production facilities in Changchun will resume full production capacity upon the completion of the relocation.

The Auditor was satisfied with the appropriateness of 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 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.

2. Financial guarantee contracts

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 professional valuer could not proceed with the valuation as the Company was unable to obtain reliable financial information of Changchun Dajincang Corn Procurement, Ltd.(長春大金倉玉米收儲有限公司)("Dajincang" or the "Supplier") for 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 Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") dated 8 August 2016 and the circular of the Company dated 6 September 2016, new financial guarantee contracts with the maximum guaranteed amount of RMB2.5 billion ("New Financial Guarantee Contracts") were granted by certain subsidiaries of the Company to BOC to guarantee the obligations of the Supplier under the new supplier loan. As at the date of this report, BOC did not express any intention to enforce the New Financial Guarantee Contracts or demand the Group to repay the new supplier loans.

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.

3. Consolidation of foreign subsidiaries

As detailed in the 2015 Annual Report, the Group's management was unable to fully retrieve the books and records of two foreign subsidiaries of the Company, namely GBTA and GBTE to verify the correctness of the amounts consolidated for the year ended 31 December 2015. As a result, the Auditor was unable to determine any adjustments in the GBTA and GBTE financial statements were necessary which may materially affect the financial performance of the Group.

GBTA is in the process of voluntary liquidation and it is expected that the liquidation procedures will be completed before the first half of year 2017. In 2016, the management have provided an appropriate impairment of assets and prepared proper financial materials to the Auditor. With respect to GBTE, the management believes that the existence of GBTE will provide strategic value for the long-term development of the Group. As such, after taking into account the overall strategy of the Company, the management has decided to keep GBTE for the Group's future development. Since GBTE will continue to be a member of the Group, the management has provided proper financial materials of GBTE to the Auditor. As GBTE has remained dormant during the Year, it had minimal impact on the Group's overall performance for the Year.

As such, the Auditor was able to carry out audit procedures on the financial information of GBTA and GBTE in 2016. However, the Auditor was unable to obtained sufficient appropriate audit evidence in respect of consolidation of these foreign subsidiaries as at 31 December 2015 which may have a consequential impact on the financial position of the Group as at 1 January 2016, and on the financial performance and the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

In addition to the remedial actions as set out above, the management will continue to provide sufficient appropriate audit evidence to the satisfaction of the Auditor to verify the financial information of GBTA and GBTE, in order to ensure the disclaimer of the same nature would not appear in the final results for the year of 2017.

4. Inventory losses

As detailed in the 2015 Annual Report, the Group had lysine products kept at location outside the Group's premises. The management was unable to obtain sufficient confirmations from these warehouses as commercial disputes with certain warehouses have encumbered the collection process. Accordingly, based on the management's assessment, a provision for impairment losses of HK$0.6 million was made during the Year for these lysine inventories kept in these warehouses outside the Group's premises which are subject to a litigation in the PRC. As at 31 December 2016, sufficient confirmations have been obtained from the warehouses located outside the Group's premises.

The Auditor was able to carry out audit procedures on the Group's inventories as at 31 December 2016. However, since the Auditor was unable to obtain sufficient appropriate audit evidence on certain inventions items as at 31 December 2015, the Auditor was unable to determine whether any adjustments to the inventories together with related tax at 31 December 2015 were necessary, which may have a significant impact on the 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 ensure the smooth process of obtaining sufficient confirmations and audit evidence to satisfy the Auditor for their assessment on the Directors' impairment assessment of the Group's inventories. As such, it is expected that the disclaimer of the same nature would not appear in the final results for the year of 2017.

5. 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 to the Consolidated Financial Statements. Dependent on the successful and favourable outcomes of the steps being taken as described in note 2 to the Consolidated Financial Statements, the Board, including the audit committee (the "Audit Committee") of the Company, is of the view that the Group will be able to continue as a going concern in foreseeable future. Please refer to note 2 to the Consolidated Financial Statements for details.

Depending on successful and favorable outcomes of the proposed steps as set out in note 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 year of 2017.

FINANCIAL PERFORMANCE

The Group's consolidated revenue for the Year increased by 15.8% to approximately HK$3,882.8 million (2015: HK$3,352.0 million). In the meantime, lower raw material costs, recovery of the lysine business and optimisation of operation have improved the Group's performance during the Year. As a result, the Group recorded a gross profit of HK$315.8 million for the Year as compare to gross loss of HK$258.6 million for the previous year. In spite of the improved operation, the poor market sentiment of the other corn refined products together with the impairment of prepayments and other receivables and impairment of property, plant and equipment of HK$877.2 million and HK$257.4 million respectively have put the Group's performance under pressure. As a result, the Company recorded a loss of HK$1,912.3 million (2015: HK$2,270.5 million) for the Year.

Impairment of prepayments and other receivables

The impairment of prepayments and other receivables in the amount of HK$576.6 million are impairment from the Group's upstream products segment, which comprised of certain prepayments and trade and other receivables that constituted the Relevant Assets.

As at 31 December 2016, out of the impairments of prepayments and other receivables of HK$877 million (which were made up of approximately HK$577 million, HK$288 million, HK$12 million and HK$0.3 million by the Group's upstream, amino acids, polyol chemicals and sweeteners segments respectively), approximately HK$824 million (2015: HK$756 million) were prepayments and other receivables due from Dajincang to the Company's subsidiaries, Changchun Dihao Foodstuff Development Co., Ltd, Changchun Baocheng Biochem Development Co., Ltd, and Changchun Dahe Bio Technology Development Co., Ltd..

Such impairments were made as the management conducted reassessment on the subject prepayments and other receivables subsequent to the termination of the Asset Disposal Agreements with the Former Purchaser.

Impairment of property, plant and equipment

The impairment of property, plant and equipment in the amount of HK$310.2 million are impairment from the Group's upstream products segment, which comprised of certain lands of the Group in Changchun and buildings erected thereon that constituted the Relevant Properties.

Out of the impairment on property, plant and equipment of HK$257 million (which were made up of impairment amount of approximately HK$310 million and HK$4 million by the Group's upstream and polyol chemicals segments respectively and reversal of impairment amounts of HK$0.4 million and HK$56 million by the Group's amino acids and sweeteners segments respectively), the impairments of land and buildings amounted to HK$150 million and impairments on plant and machineries amounted to HK$100 million.

Subsequent to the termination of the Property Disposal Agreements with the Former Purchaser, the Group has reassessed the valuation on the Group's lands and buildings conducted by a professional qualified valuer dated 3 June 2016. As a result, impairments on land and buildings of HK$150 million were made.

Following the disclaimer in relation to the impairments of non-current assets, the Company has engaged a professional qualified valuer to assess the Group's non-current assets. As a result, impairments of plant and machineries of HK$100 million were made accordingly.

Upstream products

(Sales amount: HK$1,359.2 million (2015: HK$1,609.1 million))
(Gross loss: HK$48.0 million (2015: HK$170.2 million))

During the Year, the Group's upstream business recorded a revenue of approximately HK$1,359.2 million (2015: HK$1,609.1 million). As the direct subsidies to local corn farmers gradually took effect during the harvest of 2016, coupled with the provincial subsidies to corn refiners in Northern China, the Group's cost of raw materials for the second half of the Year has been substantially lowered. As a result, the Group's upstream business recorded a gross profit of approximately HK$23.5 million (Second half of 2015: gross loss of HK$113.1 million) for the second half of the Year. However, such effect was not sufficient to offset the gross loss for the first half of the Year. As such, the Group recorded a gross loss of approximately HK$48.0 million (2015: HK$170.2 million) for the Year.

Sales volume of corn starch and other corn refined products were approximately 306,000 MT (2015: 260,000 MT) and 304,000 MT (2015: 347,000 MT) respectively. Internal consumption of corn starch was approximately 68,000 MT (2015: 417,000 MT), which was mainly used as raw material for the Group's downstream production.

During the Year, the corn starch segment recorded a gross profit margin of 1.9% (2015: gross loss margin: 4.2%) while other corn refined products segment recorded a gross loss margin of 9.2% (2015: 16.6%).

The Group's upstream business has been hit by the slowdown of China's economic growth, weak export and excess supply in the market since 2011. Despite the challenging operating environment of the upstream business in the past years, the Group's upstream operation serves as a feedstock for its downstream operation and has strategic value to the Group's overall operation. In light of the gradual recovery of the upstream business, the management will continue its prudent approach in optimising its facilities utilisation in order to maintain healthy cash flows of the Group.

Amino acids

(Revenue: HK$1,926.7 million (2015: HK$881.6 million))
(Gross profit: HK$279.5 million (2015: Gross loss: HK$210.1 million))

The amino acids segment consists of lysine, protein lysine and threonine products. Revenue of this segment increased by 118.5% to approximately HK$1,926.7 million (2015: HK$881.6 million) during the Year, representing 49.6% (2015: 26.3%) of the Group's revenue. The sales volume of amino acids segment increased by 155.6% to 345,000 MT (2015: 135,000 MT). Benefiting from the cost savings resulting from the facility upgrade in 2015, lower raw material cost and market recovery, the Group's amino acids segment recorded a gross profit of approximately HK$279.5 million (2015: gross loss: HK$210.1 million) with a gross profit margin of 14.5% (2015: gross loss margin: 23.8%) during the Year.

As the market of lysine products gradually consolidates, short-term volatility in lysine product prices is expected. While continuous efforts will be dedicated to lower production cost, the Group's research and development team is proactively looking for opportunities to develop other amino acids products complementary to the current product mix of the Group. The management believes this will provide flexibility and alternatives to current production facilities to enable the Group to respond to market changes, and at the same time, offer wider choices and better services to its current customers.

Polyol chemicals

(Revenue: HK$4.9 million (2015: HK$60.1 million))
(Gross profit: HK$3.9 million (2015: HK$16.8 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, resins, anti-freeze products, hydrogen and ammonia. Due to the poor market condition of the chemical industry and the weak market prices of chemical products since 2013, the Group has suspended most of its polyol chemicals production since March 2014. During the Year, the Group produced and sold a small amount of anti-freeze products and at the same time, continued to sell its polyol chemicals inventory.

As a result, the revenue of polyol chemicals segment decreased by 91.8% to approximately HK$4.9 million (2015: HK$60.1 million). As substantial provision in relation to the closing inventories of polyol chemicals has been made in 2015 and those provision has been reversed during the Year with the subsequent sales of polyol chemicals, the polyol chemicals segment recorded gross profit of approximately HK$3.9 million (2015: HK$16.8 million), with a gross profit margin of 79.6% (2015: 28.0%) during the Year.

The Group's ammonia production has been suspended since March 2014 and no sales were made thereafter.

Corn sweeteners

(Revenue: HK$592.0 million (2015: HK$801.2 million))
(Gross profit: HK$80.4 million (2015: HK$104.9 million))

The corn sweeteners segment consists of corn syrup and corn syrup solid, and is operated by the GSH Group.

The operating environment of corn sweeteners remained stable during the Year. The increased sugar price at home and abroad driven by the decline of global sugar production together with the lower corn price in China has highlighted the cost advantage of corn sweeteners in China. Customers were increasingly convinced to switch from cane sugar to corn sweeteners. However, due to the suspension of downstream production in the Group's Changchun and Jinzhou sites, sales volume of corn sweeteners dropped by 7.0% to approximately 213,000 MT (2015: 229,000 MT) and revenue decreased by 26.1% to approximately HK$592.0 million (2015: HK$801.2 million). As a result, the corn sweeteners segment recorded a gross profit of approximately HK$80.4 million (2015: HK$104.9 million) and a gross profit margin of 13.6% (2015: 13.1%).

As discussed in earlier section, the outlook on corn sweeteners remain positive for the year of 2017 as shortage continues. With the resumption of production of the Jinzhou upstream production since the fourth quarter of the Year, the Group will gradually look at the possibility to resume its downstream production in Jinzhou. In addition, phrase 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. The Group will closely monitor market moves and adjust its production volume and product mix to serve customer needs.

Export sales

During the Year, the Group generated revenue of approximately HK$952.2 million (2015: HK$570.1 million) from export sales, which accounted for approximately 24.5% (2015: 17.0%) of the Group's total revenue, representing an increase of approximately HK$382.1 million or 67.0% as compared with the previous year. Such increase was attributable to the resumption of production and export business since the last quarter of 2015.

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

Other income and gains

During the Year, other income and gains increased by 35.1% to approximately HK$187.1 million (2015: HK$138.5 million). Such income and gains included net profit from the sale of packing materials and by-products, government grants, reversal of impairments of trade receivables which amounted to approximately HK$6.8 million (2015: HK$12.6 million), HK$61.9 million (2015: HK$56.0 million), HK$29.9 million (2015: Nil) respectively.

Selling and distribution expenses

During the Year, the selling and distribution expenses accounted for 7.6% (2015: 5.3%) of the Group's revenue, representing an increase of 67.1% to approximately HK$296.6 million (2015: HK$177.5 million). Such increase was mainly attributable to the increase in sales volume.

Administrative expenses

During the Year, administrative expenses dropped to approximately HK$347.6 million (2015: HK$383.0 million), representing 9.0% (2015: 11.4%) of the Group's revenue. Such decrease was mainly attributable to scale-down of Changchun operations of the Group since first half of 2016.

Other expenses

During the Year, other expenses of the Group increased to approximately HK$1,500.1 million (2015: HK$1,068.7 million) which included the impairments of property, plant and equipment, and trade and other receivable amounted to HK$257.4 million (2015: HK$358.9 million) and HK$877.2million (2015: HK$53.6 million) respectively and expenses reallocated from cost of sales due to idle capacity of the Changchun and Jinzhou production facilities of the Group amounted to HK$298.1 million (2015: HK$437.5 million).

The impairment of trade and other receivable amounted to HK$877.2 million; it mainly included the impairment of receivable from Dajincang and impairment of other receivable and prepayment amounted to HK$802.3 million and HK$74.9 million respectively that were due to the termination of the Asset Disposal Agreements.

Due to the suspension of production of subsidiaries in Changchun and Harbin, the management has engaged a professional valuer to perform a valuation to assess the impairment of property, plant and equipment. As such, a impairment of property, plant and equipment amounted to HK$257.4 million was recognised for the Year.

Finance costs

During the Year, finance costs of the Group decreased to approximately HK$441.1 million (2015: HK$515.9 million) which was attributable to the drop in average interest rate to approximately 4.9% (2015: 6.6%).

Income tax credit (expense)

Due to the reversal of temporary differences, the Group recorded a deferred tax credit of approximately HK$171.7 million (2015: deferred tax expenses: HK$0.6 million) during the Year; meanwhile certain subsidiaries in the PRC incurred net profit and PRC enterprise income tax of approximately HK$1.6 million was recognised (2015: HK$4.9 million). As a result, the Group recorded income tax credit of approximately HK$170.1 million during the Year (2015: income tax expense HK$5.5 million).

Loss shared by non-controlling shareholders

During the Year, GSH and other non-wholly-owned subsidiaries recorded a loss of approximately HK$166.5 million (2015: HK$754.4 million), leading to loss shared by the non-controlling shareholders amounted to approximately HK$61.6 million (2015: HK$274.6 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2016 decreased by approximately HK$524.5 million to approximately HK$7,632.4 million (31 December 2015: HK$8,156.9 million). Such decrease was attributable to the change of year end exchange rate as a result of depreciation of RMB. On the other hand, due to the depreciation of RMB together with the operating cash outflows, capital expenditure and payment of loan interests, the cash and cash equivalents and pledged deposits as at 31 December 2016 decreased by approximately HK$664.3 million to approximately HK$950.1 million (31 December 2015: HK$1,614.4 million). As a result, the net borrowings increased to approximately HK$6,682.3 million (31 December 2015: HK$6,542.5 million).

Structure of interest-bearing borrowings

As at 31 December 2016, the Group's interest-bearing borrowings amounted to approximately HK$7,632.4 million (31 December 2015: HK$8,156.9 million), of which approximately 0.3% (31 December 2015: 0.3%) were denominated in Hong Kong dollars or US dollars while the remaining (31 December 2015: 99.7%) were denominated in Renminbi. The average interest rate during the Year was approximately 4.9% (2015: 6.6%).

The percentage of interest-bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were 45.1%, 54.9% and nil (31 December 2015: 56.3%, 43.6% and 0.1%), respectively.

Convertible bonds

Subsequent to the completion of the subscription (the "Subscription") of shares and convertible bonds by Modern Agricultural Industry Investment Limited ("Modern Agricultural") in October 2015, convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$1,086,279,565 (the "CB Consideration") which may be converted into 4,722,954,631 conversion shares of the Company (the "Conversion Shares") based on the initial conversion price of HK$0.23 (subject to adjustment) per share (the "Initial Conversion Price") upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Its holder has the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into the new shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date seven days before (and excluding) the date falling on the fifth anniversary of the date of issue, provided that the public float of the Shares shall not be less than 25% or any given percentage as required by the Listing Rules. No conversion right has been exercised by Modern Agricultural as at the date of this report.

At 31 December 2016, the Convertible Bonds was divided into liability component and equity component which amounted to HK$857.9 million and HK$290.6 million (31 December 2015: HK$806.1 million and HK$290.6 million) respectively and effective imputed interest of HK$51.8 million (2015: HK$10.4 million) was charged during the Year.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Year, trade receivables turnover days decreased to approximately 34 days (31 December 2015: 48 days) due to the strengthened control on credit terms. Meanwhile, the trade creditor's turnover days decreased to approximately 156 days (31 December 2015: 177 days) as part of the Group's cash flow management. As the Group's inventory decreased by 26.0% to HK$540.0 million (31 December 2015: HK$729.4 million), the inventory turnover days decreased to 55 days (31 December 2015: 74 days).

As at 31 December 2016, due to the reallocation of non-current assets held for sale to the property, plant and equipment and prepaid land lease payments after signing the termination of Property Disposal Agreements, the current ratio and the quick ratio of the Group decreased to approximately 0.4 (31 December 2015: 0.7) and 0.4 (31 December 2015: 0.6) respectively. In addition, the Group has recorded a loss for the year of HK$1,912.3 million, leading to the recorded net liabilities of HK$1,804.1 million. As a result, gearing ratio in term of net debts (i.e. net balance between interest-bearing borrowings and cash and cash equivalents plus pledged deposits) to total equity (aggregate total of shareholders equity and non-controlling interest) was (370.4)% (31 December 2015: 27,174.2%). To improve the financial position of the Group, the Company has adopted several strategic actions as mentioned in 5. "Material uncertainty relating to going concern" under the section headed "Update on Remedial Measures" of 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 24.5% of the Group's revenue in which most of these transactions were denominated in US Dollars. The Directors 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.

MATERIAL LITIGATIONS

As at the date of this report, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") are involved in certain litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") against the Relevant Group Members.

Infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710") and the previous judgment concerning EP '710, and EP 0.733.712 (entitled "Process for Producing Substance") ("EP '712"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

As disclosed in the Company's announcement dated 7 August 2015, the relevant courts in the Netherlands ruled that the Relevant Group Members had infringed three European patents, namely EP 0.733.710 (entitled "Process for Producing L-Lysine by Fermentation"), EP 0.733.712 (entitled "Process for Producing a Substance"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine"), registered in the name of the Plaintiffs by virtue of the offer for sale, import, and/or trading of the Relevant Group Members' L-lysine products in the Netherlands.

The Relevant Group Members had received a demand from the legal advisers of the Plaintiffs for damages of over 2.2 million Euros (the "Claimed Damages") in respect of the infringement. After seeking legal advice from the Netherlands legal advisers, the Relevant Group Members believe that they have grounds to challenge the basis of calculation of the Claimed Damages. Therefore, the Claimed Damages was not settled by the Relevant Group Members. It was expected that the Plaintiffs would initiate damages assessment proceedings for assessment of the Claimed Damages. The Plaintiffs have submitted the writ of summons regarding the follow-up proceedings damages assessment to the Court in the Hague, the Netherlands (the "Court") in March 2016. A hearing is scheduled to be held in May 2017.

Alleged infringement of EP 1.664.318 (entitled "L-amino acid-producing micro-organism and method for producing L-amino acid") ("EP '318")

As disclosed in the Company's announcement dated 18 September 2014, the Relevant Group Members received a judgment dated 10 September 2014 whereby the Court has rejected all the Plaintiffs' claim in respect of an alleged infringement of EP '318 by the Relevant Group Members and has allowed part of the counterclaim made by the Relevant Group Members.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiffs are rejected and the Plaintiffs' are ordered to pay the legal costs of the Relevant Group Members amounted to 90,387.05 Euro which payment is immediately enforceable. The Court has also allowed part of the counterclaim made by the Relevant Group Members whereby part of the subject matter of the relevant patent is nullified and the Plaintiff and the Relevant Group Members shall bear their own legal costs in respect of the counterclaim. The Plaintiffs have made an appeal to the Court of Appeal in respect of the judgment.

On 29 April 2016, the Company received the judgment of the Court of Appeal of The Hague in the above matter, in which the first instance judgment is overturned. According to the judgment, among the alleged claims, only one of the Group Members was ruled to have infringed the EP '318 patent in the Netherlands. The relevant Group Member were requested to pay for the Plaintiffs' legal cost and to comply with the court orders, which include: (i) injunction — to cease the infringement of claims 15 and 17 of the Dutch part of EP '318; (ii) surrender of infringing products — within 14 days after service of the judgment; (iii) recall letter — to be circulated to customers to which the infringing products were sold within 14 days after service of the judgment; and (iv) provision of information — to provide the relevant financial information of the infringing products within 30 days after service of the judgment drawn-up by an independent accountant as basis for the calculation of damages. With regard to (i) and (ii), since the relevant Group Member has ceased its sales function and therefore no action needs to be taken. After the initial assessment of the plausible financial impact of the judgment, the management are of the view that appealing is not in the best interest of the Company, considering the time and cost involved in the appealing action. As such, the Company has decided not to appeal to the judgment of the Court of Appeal of The Hague in the above matter. Consequently, the relevant Group Member has acted in accordance with the court orders, pending on the final decision of the damage amount by the Court.

Considering the litigations in relation to patent infringement have lingered for years, the Company is intended to settle these litigation cases as soon as possible and to concentrate efforts and resources in the business development of the Group, rather than continuously putting in resources in these litigations. The Company will keep its shareholders informed of the latest development of the litigations and further announcement(s) will be made upon any updates whenever necessary.

EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

Termination of the disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools by the Group and the GSH Group

Reference is made to the joint announcement of the Company and GSH dated 2 March 2017, in relation to the termination of the Property Disposal Agreements and the Asset Disposal Agreements.

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

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

The Group has sought PRC legal advice of their rights under the Property Disposal Agreements and the Asset Disposal Agreements and were advised that if the Company initiates 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, while the chance of success of claiming against the Former Purchaser is uncertain. Having considered the above legal advice and the financial conditions of the Group, the Board considers that it is in the economic interest of the Group to focus its resources on its business and operation rather than incurring time and costs in legal proceedings and that an early termination of the Property Disposal Agreements and the Asset Disposal Agreements would also enable the Group to explore other means to dispose of the Relevant Properties as early as possible.

Change in shareholding structure of a major shareholder and the change in management of the Company

Reference is made to the announcement of the Company dated 2 March 2017 in relation to the change in shareholding structure of a major shareholder. The Board has been informed by Jiaotou that pursuant to a notice issued by 吉林省國企改革領導小組辦公室 (Office of the State Owned Enterprises Reform Leadership Group of Jilin Province) dated 12 July 2016, a restructuring proposal was approved whereby the investment by Jiaotou in the Company shall be injected into Jilin Argricultural Investment Group Co. Ltd. ("Nongtou") for the purpose of, among others, consolidating the State-owned investment in the agricultural sector in Jilin Province of the PRC.

To implement the restructuring, an agreement was entered into between Jiaotou, Jilin Changjitu Investment Co., Ltd. (吉林省長吉圖投資有限公司, "Changjitu") and Nongtou on 27 February 2017 for the transfer by Jiaotou and Changjitu to Nongtou of their respective investment capital in Jilin Province Modern Agricultural Industry Investment Fund ("PRC LLP") (representing an aggregate of approximately 60% of the entire investment capital in PRC LLP) and the entire equity interest in Jilin Province Modern Agricultural Industry Fund Limited ("GP"), which is the general partner of PRC LLP. PRC LLP is the indirect major shareholder of the Company which is holding approximately 49% of the entire issued share capital in the Company and certain convertible bonds in the Company. Under the above agreement, the parties shall immediately proceed with the filing of the above transfers with the relevant industry and commerce bureau in the PRC. During the transition period from the date of the agreement to the completion of such filing, Nongtou shall manage the above transferred interest on behalf of Jiaotou and Changjitu. As such, by virtue of Nongtou's control over PRC LLP, Nougtou has become the indirect major shareholder of the Company.

Reference is made to the announcement of the Company dated 23 March 2017. In light of the abovementioned change in shareholding structure of the major shareholder of the Company, the management of the Company has also undergone change. With effect from 23 March 2017, Ms. Wang Qiu, Mr. Wang Jian, Mr. Li Shuguang, Mr. Qiu Zhuang and Mr. Xing Lizhu have resigned as Directors, and Mr. Yuan Weisen and Mr. Zhang Zihua have been appointed as Directors.

Construction agreement in relation to construction of production plant for production of methanol

Reference is made to the announcement of the Company dated 10 March 2017, Changchun Dacheng Bio-tech Development Co., Ltd. ("Dacheng Bio-tech"), an indirect wholly-owned subsidiary of the Company established in the PRC, entered into a construction agreement (the "Construction Agreement") with 東華工程科技股份有限公司(Donghua Engineering Technology Co., Ltd. the "Contractor") in relation to the construction of the production plant for the production of methanol in Xinglongshan, Changchun.

Pursuant to the Construction Agreement, Dacheng Bio-tech has agreed to appoint the Contractor as the main contractor for the construction which shall commence in March 2017 and complete in July 2018 according to the construction progress plan agreed between the parties. The production plant shall have an annual production capacity of 165,000 tonnes of methanol upon completion of the construction. The aggregate sum of consideration payable by Dacheng Bio-tech for the construction shall be approximately RMB243.9 million (equivalent to approximately HK$271.0 million) unless adjusted by the parties in the occurrence of events such as change of design of the production plant and/or delay in the construction.

The Directors consider that the entering into of the construction agreement and establishing the production plant are beneficial to the Group as the production plant could (i) fully utitlise the hydrogen production facilities which is currently under-utilised; (ii) diversify the Group's product range and tap into new markets; (iii) provide additional source of revenue for the Group and (iv) lower the unit cost of production of the Xinglongshan site.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market position, diversify its product range 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 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 Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products. To realise this objective, the Group's research and development centre is currently working on a series of product development projects. The Board will optimise its risk/return decision with respect to capital expenditure and will take a prudent approach in relation to capacity expansion.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2016, the Group had approximately 5,200 (2015: 5,600) 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.

EXECUTIVE DIRECTORS

Mr. Yuan Weisen, aged 53, was appointed as an executive Director and the chairman (the "Chairman") of the Board on 23 March 2017, responsible for providing leadership and directions to the Board. He is also the chairman of 吉林省農業投資集團有限公司(Jilin Agricultural Investment Group Co., Ltd.), and the executive director, general manager and party secretary of 吉林糧食資產管理有限公司 (Jilin Grain Asset Management Co., Ltd). Mr. Yuan has held a number of positions in various state-owned enterprises in Jilin Province's agricultural sector, including deputy general manager of 吉林糧食集團有限公司 (Jilin Grain Group Co. Ltd.), chairman and party secretary of 吉林西部現代農業產業園股份有限公司(Jilin Western Modern Agricultural Industrial Park Co., Ltd.), and general manager of 吉林省酒精工業集團有限公司 (Jilin Alcohol Industry Group Co., Ltd.). Mr. Yuan graduated from the Jilin Institute of Finance and Economics (now as Jilin University of Finance and Economics) in 1986 and received a Bachelor's degree in grain and oil engineering.

Mr. Zhang Zihua, aged 47, was appointed as an executive Director on 23 March 2017. 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.), general manager of asset management department of 吉林省投資集團有限公司 (Jilin Province Investment Group Co., Ltd.), 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 Jilin University in 2005. Mr. Zhang has also been appointed as an executive Director of GSH on 23 March 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chiu Lai Ling, Shirley, aged 54, was appointed as independent non-executive Director on 16 March 2016. Ms. Chiu obtained a bachelor of science degree in business administration with accounting option in the United States of America ("USA") in 1986, and became a qualified public accountant in California, the USA in 1989. Ms. Chiu is the chief executive officer of Melody Finance Limited. She has extensive experience in fields of accounting and finance, and has over 29 years of working experience in the financial industry (corporate finance, securities sales, corporate sales and wealth management). Currently Ms. Chiu is an inactive member of the Certified Public Accountant of the California Board of Accountancy.

Mr. Ng Kwok Pong, aged 44, was appointed as independent non-executive Director on 1 March 2015. Mr. Ng graduated from University of Greenwich with a Bachelor of Arts (Hons) in Accountancy and Finance. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of Association of Chartered Certified Accountants. Mr. Ng has over 16 years' experience in auditing and accounting, including working experience in listed companies in Hong Kong.

Mr. Yeung Kit Lam, aged 54, was appointed as independent non-executive Director on 23 April 2015. Mr. Yeung is a practicing solicitor of Hong Kong. He obtained a bachelor degree in social sciences majoring in economics from the University of Hong Kong in 1985. He was awarded with the postgraduate certificate in laws by the University of Hong Kong in 1992, and was admitted as a solicitor of the High Court of Hong Kong in 1994. He also obtained a bachelor degree in laws from Peking University in 2001. Mr. Yeung is currently the consultant of Messrs. Yip, Tse & Tang, a firm of solicitors and notaries in Hong Kong. Mr. Yeung has over 21 years of post-qualification experience in the legal field, and has various experiences in litigation and commercial practices.

SENIOR MANAGEMENT

Mr. Kong Zhanpeng, aged 53, was appointed as the chief executive officer of the Group on 24 October 2015, and is responsible for overseeing the operation of the Group. Mr. Kong is one of the founders of the Company and was an executive Director from May 2000 to September 2007, and December 2013 to May 2014. He is currently an executive Director and chairman of the board of directors of GSH, and directors of various subsidiaries of GSH. He has over 22 years of extensive experience in industry and 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. Lee Chi Yung, aged 42, was appointed as the company secretary and the financial controller of the Company on 15 October 2015 and on 24 October 2015 respectively. Mr. Lee is responsible for overseeing the Group's financial reporting procedures, internal controls and compliance of Listing Rules and other relevant laws and regulations. Mr. Lee has extensive experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Lee holds a Bachelor's degree with honors in Accountancy and a Master's degree in Business Administration, and is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the Group in September 2000 and has been appointed as the financial controller and company secretary of GSH since September 2007. Mr. Lee was an executive director of GSH from December 2009 to October 2015.

Mr. Chu Lalin, aged 55, holds a bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 21 years of experience in mechanical and food engineering. He joined the Group in 1996. Mr Chu was appointed as the deputy chief executive officer of the Company on 24 October 2015 and is the chief engineer of the Group.

Mr. Zheng Guichen, aged 55, graduated from the Jilin Grain High College for Professional Training, specialising in food engineering. He joined the Group in 1997. Mr. Cheng has been committed to the Group's production and operation management since then, and acted as the Group's deputy general manager of production and operation department since 2015. He was appointed as deputy general manager of the Group's sales department in 2016.

Mr. Wang Guicheng, aged 49, graduated from the Jilin Grain High College for Professional Training, specialising in grain storage and analysis. He joined the Group in 1997 and has been engaged in management of production technology. He acted as the general manager of Xinglongshan Plant of the Group since 2015. In 2016, Mr. Wang was appointed as the general manager of Dehui production site of the Group. Mr. Wang was appointed as deputy general manager of the Group's production and operation department on in March 2017.

The Company is committed to ensuring high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders of the Company and devotes considerable effort in identifying and formalising best practices. The Board regularly reviews the Group's corporate governance guidelines and developments. To the best knowledge and belief of the Board, save as disclosed below, the Company has complied with all code provisions as laid down in the Corporate Governance Code (the "CG Code") and Corporate Governance Report as set out in Appendix 14 to the Listing Rules throughout the Year.

Following the resignation of Mr. Chan Chi Wai, Benny as an independent non-executive Director, and ceased to act as, among others, a member and the chairman of the Audit Committee in December 2015, the Company subsequently appointed Ms. Chiu Lai Ling, Shirley as an independent non-executive Director and, among others, a member of the Audit Committee and re-designated Mr. Ng Kwok Pong as the chairman of the Audit Committee on 16 March 2016 to comply with the requirements under the Listing Rules.

The Company has adopted a code of conduct regarding the Director's 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 set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors.

Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the code of conduct of the Company and the Model Code throughout the Year under review.

BOARD OF DIRECTORS

The number of meetings and attendance by Board members during the Year are set out in the table below:

	Meetings held and Attended					
Name of Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	Corporate Governance Committee Meeting	Annual General Meeting
Executive Directors						
Wang Qiu *(note 1)*	7/15		1/2			1/1
Wang Jian *(note 1)*	15/15		1/1	2/2		1/1
Li Shuguang	14/15				1/1	1/1
Liu Fang *(note 2)*	5/5					0/1
Non-Executive Directors						
Qiu Zhuang	9/15					1/1
Xing Lizhu	15/15					1/1
Independent Non-Executive Directors						
Ng Kwok Pong	7/7	7/7	3/3	2/2	1/1	1/1
Yeung Kit Lam	7/7	7/7				1/1
Chiu Lai Ling, Shirley *(note 3)*	5/5	5/5	2/2	1/1	1/1	

Notes:

1. Ms. Wang Qiu has ceased to be the member of the nomination committee (the "Nomination Committee") and Mr. Wang Jian has been appointed as a member of Nomination Committee on 8 December 2016.

2. Ms. Liu Fang has retired as executive Director on 6 June 2016.

3. Ms. Chiu Lai Ling, Shirley has been appointed as independent non-executive Director on 16 March 2016.

Subsequent to change of shareholding structure of the controlling shareholder of the Company, Ms. Wang Qiu, Mr. Wang Jian, Mr. Li Shuguang, Mr. Qiu Zhuang and Mr. Xing Lizhu have resigned as Directors, and Mr. Yuan Weisen and Mr. Zhang Zihua have been appointed as Directors with effect from 23 March 2017.

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 22 to page 23 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/her 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.

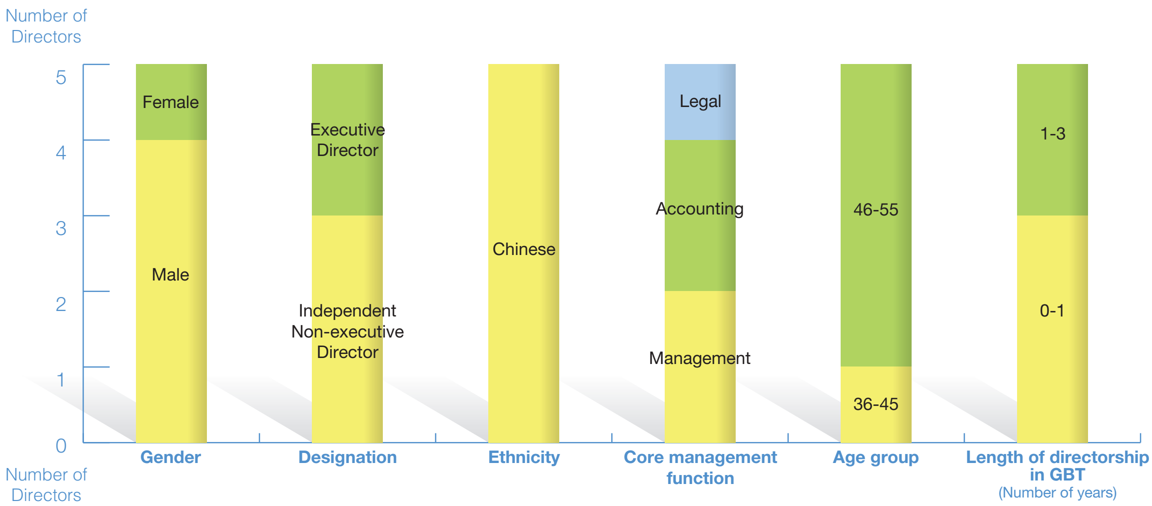
Board diversity has been considered from a range of diversity perspectives, including but not limited to gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. These aspects will be considered in determining the optimum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

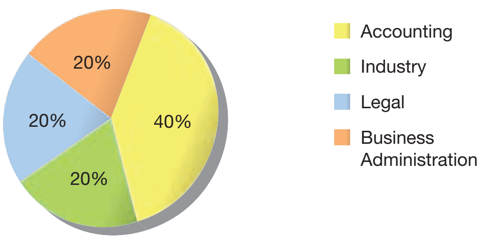
The Board annually discusses and establishes measurable objectives for achieving diversity on the Board. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

With reference to the business needs of the Group, the following measurable objectives have been set for implementing the Board diversity policy: (a) a prescribed proportion of Board members shall be independent non-executive Directors; (b) a prescribed proportion of Board members shall have attained bachelor's degree or above; (c) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications; (d) a prescribed proportion of Board members shall have more than seven years of experience in the industry he/she is specialised in; and (e) a prescribed proportion of Board members shall have China-related work experience. Based on its review, the Nomination Committee of the Company considers that the Company has achieved the measurable objectives set for implementing the board diversity policy of the Company.

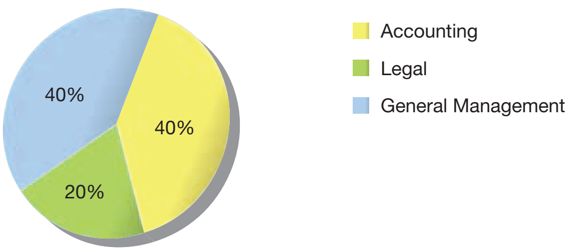
Up to the date of this report, composition of the Board is disclosed as below:



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 recourse 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.

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.

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.

	Type of trainings	
	A	B
Executive Directors		
Wang Qiu		✓
Wang Jian		✓
Li Shuguang		✓
Liu Fang		✓
Non-executive Directors		
Qiu Zhuang		✓
Xing Lizhu		✓
Independent non-executive Directors		
Ng Kwok Pong		✓
Yeung Kit Lam		✓
Chiu Lai Ling, Shirley	✓	✓

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 OFFICER

The roles of the chairman and chief executive of the Company are separate and exercised by different Directors. At the date of this report, Mr. Yuan Weisen is the Chairman of the Company and is mainly responsible for providing leadership and directions to the Board. Mr. Kong Zhanpeng is the chief executive officer of the Group, and is responsible for overseeing the Group's operation management and product development.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling, Shirley were appointed as independent non-executive Directors on 1 March 2015, 23 April 2015 and 16 March 2016, respectively. The independent non-executive Directors were appointed for a fixed term of two years and shall be subject to retirement by rotation and re-election at the annual general meeting of the Company at least once every three years in accordance with the Articles of Association.

DIRECTORS' AND OFFICER'S LIABILITY INSURANCE AND INDEMNITY

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

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

During the Year, the Directors' remuneration were as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Fees	**1,340**	1,309
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**–**	11,000
Performance related bonuses	**–**	–
Equity-settled share option expenses	**–**	–
Pension scheme contributions	**–**	42
	1,340	11,042
Total	**1,340**	12,351

According to the Directors' service contracts, each of the existing executive Directors is entitled to a management bonus. The aggregate amount of the bonuses payable to all the executive Directors for any financial year shall not exceed 5% of the consolidated net profit from ordinary activities attributable to shareholders in respect of that financial year. For the year ended 31 December 2016, the executive Directors were not entitled to any bonus (2015: Nil) as the Group incurred a net loss from ordinary activities attributable to equity holders.

(a) Independent Non-executive Directors

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

	2016	2015
	HK$'000	*HK$'000*
Ng Kwok Pong *(Note 2)*	**480**	400
Yeung Kit Lam *(Note 3)*	**480**	331
Chiu Lai Ling, Shirley *(Note 5)*	**380**	—
Chan Man Hon, Eric *(Note 2)*	—	80
Lee Yuen Kwong *(Note 2)*	—	80
Li Defa *(Note 1)*	—	22
Chan Chi Wai, Benny *(Note 2 and Note 4)*	—	396
Total	**1,340**	1,309

Notes:

1. Mr. Li Defa resigned as independent non-executive Director on 5 February 2015.

2. Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric resigned as independent non-executive Directors on 27 February 2015 and 28 February 2015 respectively. Mr. Chan Chi Wai Benny and Mr. Ng Kwok Pong were appointed as independent non-executive Directors on 1 March 2015.

3. Mr. Yeung Kit Lam was appointed as independent non-executive Director on 23 April 2015.

4. Mr. Chan Chi Wai, Benny resigned as independent non-executive Director on 28 December 2015.

5. Ms. Chiu Lai Ling, Shirley was appointed as 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:

	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Equity-settled share option expenses *HK$'000*	Pension contributions *HK$'000*	Total remuneration *HK$'000*
2016					
Wang Qiu *(Note 5)*	–	–	–	–	–
Wang Jian *(Note 5)*	–	–	–	–	–
Li Shuguang *(Note 5)*	–	–	–	–	–
Liu Fang *(Note 4)*	–	–	–	–	–
Total	–	–	–	–	–
2015					
Wang Qiu *(Note 3)*	–	–	–	–	–
Wang Jian *(Note 3)*	–	–	–	–	–
Li Shuguang *(Note 3)*	–	–	–	–	–
Liu Fang *(Note 3)*	–	–	–	–	–
Liu Xiaoming *(Note 3)*	4,347	–	–	15	4,362
Xu Ziyi *(Note 3)*	1,554	–	–	15	1,569
Li Weigang *(Note 3)*	1,771	–	–	–	1,771
Wang Yongan *(Note 3)*	656	–	–	–	656
Ji Jianping *(Note 1 and Note 3)*	1,152	–	–	–	1,152
Cheung Chak Fung *(Note 2 and Note 3)*	1,520	–	–	12	1,532
Total	11,000	–	–	42	11,042

Notes:

1. Mr. Ji Jianping was appointed as executive Director on 12 March 2015.

2. Mr. Cheung Chak Fung was appointed as executive Director on 23 April 2015.

3. Mr. Liu Xiaoming, Ms. Xu Ziyi, Mr. Li Weigang, Mr. Wang Yongan, Mr. Ji Jianping and Mr. Cheung Chak Fung resigned as executive Directors on 15 October 2015. Ms. Wang Qiu, Mr. Wang Jian, Mr. Li Shuguang and Ms. Liu Fang were appointed as executive Directors on 15 October 2015. Mr. Qiu Zhuang and Mr. Xing Lizhu were appointed as non-executive Directors on 15 October 2015.

4. Ms. Liu Fang retired as executive Director on 6 June 2016.

5. Ms. Wang Qiu, Mr. Wang Jian and Mr. Li Shuguang resigned as executive Directors on 23 March 2017.

(c) Senior Management

The remuneration of the senior management of the Group by band for the Year is set out below:

Remuneration bands	Number of senior management
Nil to HK$3,000,000	5
	5

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the financial statements respectively.

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. A statement by the Auditor in respect of their reporting responsibilities is set out in the Independent Auditor's Report.

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. For the year ended 31 December 2016, the Auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The management is however, of the view that the Group will continue as a going concern, for the reasons stated as set out in paragraph 5. Material uncertainty relating to going concern" under the section "Update on Remedial Measures" on page 11 of this annual report.

The Group has announced 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 of compliance with relevant statutory requirements and other rules and regulations.

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up an Audit Committee, a remuneration committee (the "Remuneration Committee"), a Nomination Committee and a corporate governance committee (the "Corporate Governance Committee") with clearly defined written terms of reference adopted in compliance with the CG code. The Company also set up an executive committee ("Executive Committee") for the purpose of effective and timely management of the day to day activities of the Group on 23 March 2017.

AUDIT COMMITTEE

The Audit Committee 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. Ng Kwok Pong (the chairman of the committee), Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.

The duties of the Audit Committee are, among others, to review the Company's half yearly and annual financial statements and to make recommendations to the Board on appointment and removal of the external auditor. The Audit Committee meets regularly with the Company's senior management and the Auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

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

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 opinions and remedial measures are disclosed in the section headed "Update on remedial measures" on pages 9 to 11;

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 Company'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 terms of reference of Audit Committee was published on the respective websites of the Stock Exchange and the Company on 14 March 2016.

NOMINATION COMMITTEE

The duties of the Nomination Committee are, among others, determining policy for the nomination of Directors, including the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommending candidates for directorship during the Year. The Nomination Committee also reviews the structure, size and composition of the Board and to make 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.

On 23 March 2017, Mr. Wang Jian resigned as a member of the Nomination Committee and Ms. Chiu Lai Ling, Shirley resigned as the chairman of the Nomination Committee, but remained as a member of the Nomination Committee. Meanwhile, Mr. Yuan Weisen was appointed as a member and the chairman of the Nomination Committee. The Nomination Committee currently comprises of an executive Director, Mr. Yuan Weisen (the chairman of the committee) and two independent non-executive Directors, Mr. Ng Kwok Pong and Ms. Chiu Lai Ling, Shirley.

During the Year, the Nomination Committee held three meetings to review and make recommendations to the Board about the nomination of proposed candidates to fill the vacancy of the Board.

REMUNERATION COMMITTEE

On 23 March 2017, Mr. Wang Jian resigned as a member of the Remuneration Committee and Mr. Yuan Weisen was appointed as a member of the Remuneration Committee. The Remuneration Committee currently comprises of two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Ms. Chiu Lai Ling, Shirley, and an executive Director, Mr. Yuan Weisen.

The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee also assesses performance of executive Directors and approve the terms of executive Directors' service contracts.

During the Year, the Remuneration Committee held two meetings to review and make recommendations to the Board on the individual executive Directors' and senior management's remuneration packages.

CORPORATE GOVERNANCE COMMITTEE

The duties of the Corporate Governance Committee are, among others, to review the Company's policies and practices on corporate governance and provide 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.

On 23 March 2017, Mr. Li Shuguang resigned as a member of the Corporate Governance Committee; and Mr. Zhang Zihua was appointed as a member of the Corporate Governance Committee. The Corporate Governances Committee currently comprises of an executive Director, Mr. Zhang Zihua and two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Ms. Chiu Lai Ling, Shirley.

The Corporate Governance Committee held one meeting in 2016.

During the Year, the Corporate Governance Committee has performed the following works:

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 in compliance with legal and regulatory requirements.

3. Reviewed the Company's compliance with the code provisions of the CG 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 24 of this annual report, the Corporate Governance Committee considered that the Company has complied with all code provisions in the CG Code during the Year.

EXECUTIVE COMMITTEE

The duties of the Executive Committee are, among others, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company.

The powers and authorities of the Committee shall not be extended to:

(a) approval of final and interim results of the Company;

(b) declaration, recommendation or payment of any dividend or other distributions;

(c) proposal to the shareholders of the Company to put the Company into liquidation;

(d) approval of any discloseable transaction, major transaction, very substantial acquisition or disposal within the meaning of Chapter 14 of the Listing Rules on the Stock Exchnage;

(e) approval of any connected transaction within the meaning of Chapter 14A of the Listing Rules;

(f) matters involving a conflict of interest for a substantial shareholder and/or a Director of the Company.

(g) approving any proposed change in the capital structure, including any redemption of the Company's securities listed on the Stock Exchange;

(h) approving any decision to change the general character or nature of the business of the Company;

(i) matters specifically set out in the Listing Rules which require approval at a full Board meeting; and

(j) any regulations or resolutions or restrictions that may be imposed upon the Committee by the Board from time to time.

At the date of this report, the Executive Committee comprises of two executive Directors, namely Mr. Yuan Weisen (the chairman of the committee) and Mr. Zhang Zihua.

Auditor's Remuneration

For the year ended 31 December 2016, auditor's remuneration of HK$4,800,000 was incurred for the audit services provided by World Link CPA Limited ("World Link"), and HK$3,702,000 was paid for the audit services provided by other certified public accountant firms to the subsidiaries of the Company located in Hong Kong and the PRC.

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

	HK$'000
Taxation compliance	12
Others	1,923
Total	1,935

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 introduction 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 23 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 ("AGM") 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 exercise his/her power under the Articles of Association 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.

To the best knowledge of the Directors, 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)**
Modern Agricultural Industry Investment Limited	3,135,509,196	49.0%	684
Kong Zhanpeng	260,176,000	4.1%	57
Public float in Hong Kong	3,003,313,164	46.9%	654
Total	6,398,998,360	100.0%	1,395

On 16 February 2016, an Extraordinary General Meeting ("EGM") was held to approve, among others, remove Ernst & Young as the auditors of the Company and appoint World Link as the auditors of the Company and to authorise the Board to fix their 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 Agreements and Asset Disposal Agreements. All resolutions proposed were passed by way of poll.

On 22 September 2016, an EGM was held to approve the New Financial Guarantee Contracts. 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 Organizations 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, the chief executive officer, the finance controller and the external auditors. Management is called upon to present action plans in response to internal auditor's recommendations, which are agreed by internal auditors.

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 informationis 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 and senior management. 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 regulations, 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 present findings 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

Risk Description	Changes in 2016	Key Risk Mitigations
Compliance Risks: Non-compliance with Listing Rules and other ordinances	Engaged external expert to establish ERM system	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; and

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

The Group has a supervising team ("Supervising Team") set up in each subsidiary of the Company 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 of the Company 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.

During the year ended 31 December 2016, due to economic downturn and tighten credit policy of most PRC banks, there have been certain commercial disputes between the Group and certain of its customers and suppliers. The Group is now in the course of resolving these disputes through legal means and active negotiation with the concerned parties to seek mutually-agreed solutions.

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 2016 Environmental, Social and Governance Report ("ESG Report") will be available on or before 30 June 2017. Please view and download the ESG Report from the Company's website at http://www.globalbiochem.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 ir@globalbiochem.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 twenty-one (21) days of the deposit of such Requisition, the Requisition(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisition(s) as a result of the failure of the Directors shall be reimbursed to the Requisition(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 ir@globalbiochem.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 ("Proposal") with his/her/its detailed contact information via email at the email address of the Company at ir@globalbiochem.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 the consideration of the Proposal raised by the shareholder 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.

The Directors present their report and audited financial statements of the Group 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 biochemical products. Details of the principal activities of the principal subsidiaries are set out in note 18 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 4 to 6 and 7 to 21 of this annual report respectively. 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 Corporate Social Responsibility Report disclosed in the Corporate Governance Report on pages 44 to 46 of this annual report.

The principal risks and uncertainties are disclosed in Corporate Governance Report under section headed "Risk Management and Internal Control" on pages 39 to 43 on this annual 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 "Events Subsequent to the Year Under Review" on pages 19 to 21 of this annual 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 21 of this annual 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 pages 69 to 145 of this report.

The Directors do not 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 last five financial years, as extracted from the audited financial statements, and restated as appropriate, is set out on page 146 of this report. 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

Details of movements in the Company's share capital during the Year are set out in note 31 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 3 September 2007, 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 on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

Eligible participants of the Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("GBT Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive Director (including independent non-executive Directors) of the Group or any GBT Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any GBT Invested Entity;

(iv) any customer of the Group or any GBT Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any GBT Invested Entity;

(vi) any shareholder of any member of the Group or any GBT Invested Entity or any holder of any securities issued by any member of the Group or any GBT Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any GBT Invested Entity; and

(viii) any other group or class or participant who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group.

And, for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The total number of shares of the Company (the "Shares") which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on 3 September 2007 ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting (with such participant and his associates abstaining from voting).

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder 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 Shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, 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 determined by the Board, which period may commence from the date of acceptance of the offer 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 subscription price for the Shares under the Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

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

Participants	Number of share options outstanding as at 1 January 2016	Granted, cancelled or lapsed during the Year	Number of share options as at 31 December 2016	Date of grant of share options	Exercise period of share options	Vesting period of share options	Price of Company's shares: Exercise price of share options HK$	Price of Company's shares: Closing price immediately before the grant date HK$
Employees	3,100,000	(3,100,000)	–	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

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

Eligible participants of the GSH Scheme include the following:

(i) any employee of proposed employee (whether full time of part time) of the GSH Group or any entity ("GSH Invested Entity") in which any member of the GSH Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the GSH Group or any GSH Invested Entity;

(iii) any supplier of goods or services to any member of the GSH Group or any GSH Invested Entity;

(iv) any customer of the GSH Group or any GSH Invested Entity;

(v) any person or entity that provides research, development or other technological support to the GSH Group or any GSH Invested Entity;

(vi) any shareholder of any member of the GSH Group or any GSH Invested Entity or any holder of any securities issued by any member of the GSH Group or any GSH Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the GSH Group or any GSH Invested Entity; and

(viii) any other groups or classes or participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the GSH Group.

And for the purposes of the GSH Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The maximum number of unexercised share options currently permitted to be granted under the GSH Scheme is an amount equivalent, upon their exercise, to 30% of the shares of GSH 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 GSH in issue at any time. Any further grant of share options in excess of this limit is subject to GSH shareholders' approval in a general meeting.

Share options granted to substantial shareholder of GSH, or an independent non-executive director of GSH or any of their respective associates, in excess of 0.1% of the shares of GSH in issue at any time or with an aggregate value (based on the price of GSH's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to GSH 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 of GSH, which period may commence from the date of acceptance of the offer for 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 of GSH, but may not be less than the higher of (i) the Stock Exchange closing price of the shares of GSH in the date of offer of the share options; and (ii) the average Stock Exchange closing price of the GSH's shares for the five trading days immediately preceding the date of offer.

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

Participants	Number of share options outstanding as at 1 January 2016	Cancelled or lapsed during the Year	Number of share options 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 participant	2,000,000	(2,000,000)	–	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Total	16,000,000	(16,000,000)	–					

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 42 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company did not have reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the share premium of the Company of approximately HK$3,127,204,000 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 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 14% of the total sales for the Year and sales to the largest customer included therein accounted for 4% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for 16% of the total purchases for the Year and the purchase from the largest supplier included therein accounted for 4% of the total purchases for the Year.

None of the directors 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:

Yuan Weisen	*(appointed on 23 March 2017)*
Zhang Zihua	*(appointed on 23 March 2017)*
Wang Qiu	*(resigned on 23 March 2017)*
Wang Jian	*(resigned on 23 March 2017)*
Li Shuguang	*(resigned on 23 March 2017)*
Liu Fang	*(retired on 6 June 2016)*

Non-executive Directors:

Qiu Zhuang	*(resigned on 23 March 2017)*
Xing Lizhu	*(resigned on 23 March 2017)*

Independent non-executive Directors:

Chiu Lai Ling, Shirley	*(appointed on 16 March 2016)*
Ng Kwok Pong	
Yeung Kit Lam	

According to article 108(A) of the Articles of Association, 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. Yeung Kit Lam and Ms. Chiu Lai Ling, Shirley will retire as Directors. Mr. Yeung Kit Lam and Ms. Chiu Lai Ling, Shirley, 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 following 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. Yuan Weisen and Mr. Zhang Zihua will end at the AGM. Mr. Yuan Weisen and Mr. Zhang Zihua, being eligible, will offer themselves for re-election as Director at the AGM.

The Company has received annual confirmations from each of Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling, Shirley of their independence. As at the date of this report, the Company considers all independent non-executive Directors to be independence.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and senior management of the Group are set out on pages 22 to 23 of the annual report.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

The executive Directors, each of Mr. Yuan Weisen and Mr. Zhang Zihua entered into a service agreement with the Company for a term of three years commencing on 23 March 2017. Each of the above service contracts is renewable automatically for successive terms of one year each commencing from the day after the expiry of the then current term of the executive's appointment and subject to termination by either party by giving not less than three months' notice in writing.

The independent non-executive Directors, Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling, Shirley, have each entered into an appointment letter with the Company for a term of two years commencing on 1 March 2015, 23 April 2015 and 16 March 2016, respectively.

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 as disclosed elsewhere in the annual report, 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 ended 31 December 2016.

CONTRACT OF SIGNIFICANCE

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 ended 31 December 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Kong Zhanpeng	18,256,000	241,920,000 *(Note 1)*	260,176,000	4.07

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

	Number of shares held capacity and nature of interest			
Name of chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of GSH's issued share capital**
Kong Zhanpeng	–	1,984,000 *(Note 1)*	1,984,000	0.13

Notes:

1. These 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.

As at 31 December 2016, save as disclosed above, none of the Directors and chief executives of the Company had any interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to 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

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company and 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, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	*Notes*	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital**
Liu Xiaoming	*1*	365,138,400	5.71
Personal representative of the late Mr. Xu Zhouwen	*2*	322,111,600	5.03
Modern Agricultural Industry Investment Limited	*3*	7,858,463,827	122.81

Notes:

1. Among these interests, 346,048,000 Shares of which are held by LXM Limited, the entire issued capital of which is beneficially owned by Mr. Liu Xiaoming, a former executive Director. Mr. Liu Xiaoming is the sole director of LXM Limited.

2. Among these interests, 295,456,000 Shares of which are held by Crown Asia Profits Limited, the entire issued capital of which is held by the personal representative of the late Mr. Xu Zhouwen, a former executive Director.

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 was held by Modern Agricultural Industry Investment Holdings Limited which was 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. was 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. was 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.

Save as disclosed above, as at 31 December 2016, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the Year, the Group had no connected transactions that needed to be disclosed in compliance with the requirements under Chapter 14A of the Listing Rules.

The related party transactions entered into by the Group in the year under review which are disclosed in note 36 to the financial statements did not fall under the definition of connected transaction or continuing connected transactions under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 December 2016.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

On 23 March 2017, Mr. Kong Zhanpeng, the chief executive officer of the Group, entered into a service agreement with the Company. Under the service agreement, Mr. Kong will be entitled to a remuneration of HK$100,000 per month and a travel allowance of HK$100,000 per year with effect from 23 March 2017. The remuneration and travel allowance of Mr. Kong is recommended by the Remuneration Committee and approved by the Board with reference to factors including his duties, responsibilities assumed by him in the management of the Company and the performance and results of the Group.

DISCLOSURE PURSUANT TO RULE 13.19 OF THE LISTING RULES

Breach of Loan Agreements

Reference is made to the joint announcement of the Company and GSH 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 GSH, 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 GSH 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 GSH 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 Group or the GSH Group. The GSH 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 GSH 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 GSH Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. The GSH 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 GSH 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, 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 the New Financial Guarantee Contracts were granted by subsidiaries of the Company to BOC to guarantee the obligations of the Supplier under the new supplier loan (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. World Link 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 circular of the Company dated 3 June 2016 in relation to among others, the relocation of production facilities of the Group 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 the third quarter of 2018, with the expected updated timeframe as follows:

Products of the Group to which the production facilities relate	Production site to which the production facilities will be relocated	Production capacity of the relevant production facilities to be relocated	Expected time for the relocation of production facilities
Methanol	the Xinglongshan site	165,000 metric tonne per annum ("mtpa")	April 2017 – September 2018
Modified starch – food grade (phase 1)	the Xinglongshan site	20,000 mtpa	July 2017 – June 2018
Modified starch (phase 2)	the Xinglongshan site	60,000 mtpa	September 2017 – August 2018
Corn oil	the Xinglongshan site	63,000 mtpa	October 2017 – September 2018
Lysine	Dehui City of Changchun	200,000 mtpa	September 2017 – August 2018
Corn refinery	Dehui City of Changchun	600,000 mtpa	September 2017 – August 2018
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000 mtpa	September 2017 – August 2018

Equipment leasing

Reference is made to the 2015 Annual Report, on 5 August 2015, the management was notified that a subsidiary of the Company, Changchun GBT Bio-Chemical Co., Ltd. ("GBT Bio-Chemical") had entered into an equipment leasing agreement (the "Lease") with the Finance Bureau of Changchun (長春市財政局) for the lease of certain machineries and equipment on 30 December 2014, the terms of the lease are 20 years with the total lease fee amounted to approximately RMB672 million. The aforesaid assets are related to those assets with the resumption amount of RMB560 million mentioned in an announcement of the Company dated 7 May 2014 titled "Major transaction in relation to resumption of buildings, machineries and fixtures". The Group has not assessed and recognised the operating lease expenses in respect of the Lease in its financial statements for the years ended 31 December 2014 and 2015. The Lease had been unilaterally terminated by GBT Bio-Chemical on 15 March 2016. Taken into account the PRC legal advice sought by the Board and the ongoing communication with the Finance Bureau of Changchun in relation to the termination of Lease, the Board considers that the chance of litigation is remote. As of the date of this report, no assessment has been made on the possible damages for the termination of the Lease.

AUDITOR

World Link CPA Limited will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yuan Weisen
Chairman

Hong Kong
29 March 2017

World Link CPA Limited
華普天健(香港)會計師事務所有限公司

To the shareholders of
Global Bio-chem Technology Group Company Limited
(incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 69 to 145, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of 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

Opening balances and corresponding figures

In our auditor's report dated 25 April 2016 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2015 (the "2015 Financial Statements"), we did not express an opinion on the 2015 Financial Statements. The disclaimer of opinion was resulted from scope limitation based on reasons summarised in the basis for disclaimer of opinion paragraphs therein.

Consequently we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 December 2015 and 1 January 2016 and its results for the years ended 31 December 2015 and 2016, and the presentation and disclosure thereof in the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION *(Continued)*

Impairment of non-current assets

During the year ended 31 December 2015, the Group recognised impairment losses on property, plant and equipment and goodwill of HK$359 million and HK$106 million respectively based on directors' impairment assessment. We were unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the directors' impairment assessment at 31 December 2015. Any adjustments found to be necessary in respect of the impairment of the non-current assets together with related tax 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.

Financial guarantee contracts

As at 31 December 2016, certain subsidiaries of the Group 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 (2015: RMB2.85 billion) (the "Financial Guarantee Contracts"). During the year ended 31 December 2016, the then ultimate holding entity of a major shareholder of the Company, 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 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 "Letter of Support of Jiaotou"). The Financial Guarantee Contracts and the Letter of Support of Jiaotou have not been recognised in the Group's 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 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 to the consolidated financial statements 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.

Consolidation of foreign subsidiaries

Included in the 2015 Financial Statements were revenue of HK$100 million, loss for the year of HK$34 million, total assets of HK$83 million and net deficits of HK$196 million attributable to two foreign subsidiaries, namely Global Bio-chem Technology Americas Inc. ("GBTA") and Global Bio-chem Technology Europe GmbH Inc. ("GBTE") in aggregate. Because the books and records of GBTA and GBTE were inadequate during our audit of the 2015 Financial Statements, we were unable to perform effective audit procedures and to obtain sufficient appropriate audit evidence to verify the financial information of GBTA and GBTE included in the 2015 Financial Statements. Any adjustments found to be necessary in respect of the GBTA and GBTE financial information for the year ended 31 December 2015 may have a significant impact on the financial position of the Group at 31 December 2015, and of 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)*

Inventories

Included in the Group's inventories balance as at 31 December 2015 were items kept at locations outside of the Group's premises amounting to HK$44 million. We were unable to perform effective audit procedures and to obtain sufficient appropriate audit evidence to verify the ownership of these inventories. Therefore, we were unable to determine whether any adjustments to the 2015 Financial Statements were necessary. Any adjustments found to be necessary in respect of the opening inventories may have a significant impact on the financial position of the Group at 31 December 2015, and of the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

Fundamental uncertainties relating to going concern

As disclosed in Note 2 to the consolidated financial statements, the Group recorded a net loss of HK$1,912 million during the year ended 31 December 2016 and, as of that date, the Group had net current liabilities and net capital deficiencies of HK$3,597 million and HK$1,804 million respectively. 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 indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern basis is dependent on the Group's future profitable operation and the successful and favourable outcomes of the steps being taken by the management as described in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and noncurrent 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 these consolidated financial statements. Should the going concern assumption be inapplicable, adjustments would have to be made in the consolidated financial statements to reclassify non-current assets and non-current liabilities as current assets and current liabilities, to adjust the value of assets to their net realisable amounts and to provide for any further liabilities which might arise. Such adjustments would have a consequential significant effect on the Group's consolidated financial position as at 31 December 2016 and the Group's financial performance for the year then ended.

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

The directors of the Company are responsible for the preparation of the 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 assisted by the Audit Committee in discharging their responsibilities 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 consolidated financial statements in accordance with Hong Kong Standards on Auditing 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.

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.

This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility or accept liability to any other person for the contents of this report.

World Link CPA Limited
Certified Public Accountants
5/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

29 March 2017

The engagement director on the audit resulting in this independent auditor's report is:
Nip Ngo Hin Francis
Practising Certificate Number: P06301

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**3,882,840**	3,352,003
Cost of sales		**(3,567,018)**	(3,610,572)
Gross profit (loss)		**315,822**	(258,569)
Other income and gains	5	**187,116**	138,529
Selling and distribution expenses		**(296,578)**	(177,468)
Administrative expenses		**(347,562)**	(383,037)
Other expenses		**(1,500,062)**	(1,068,660)
Finance costs	7	**(441,118)**	(515,873)
LOSS BEFORE TAX	6	**(2,082,382)**	(2,265,078)
Income tax credit (expense)	10	**170,096**	(5,461)
LOSS FOR THE YEAR		**(1,912,286)**	(2,270,539)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		**96,586**	37,982
Items that will not be reclassified subsequently to profit or loss:			
Deficit on property revaluation		**(20,633)**	(7,117)
Income tax effect	10	**8,190**	1,283
		(12,443)	(5,834)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**84,143**	32,148
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,828,143)**	(2,238,391)
Loss for the year attributable to:			
Owners of the Company		**(1,850,640)**	(1,995,970)
Non-controlling interests		**(61,646)**	(274,569)
		(1,912,286)	(2,270,539)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,657,297)**	(1,974,367)
Non-controlling interests		**(170,846)**	(264,024)
		(1,828,143)	(2,238,391)
LOSS PER SHARE			
Basic	12	**HK$(0.29)**	HK$(0.51)
Diluted	12	**HK$(0.29)**	HK$(0.51)

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	13	**6,390,498**	6,301,975
Prepaid land lease payments	14	**574,495**	449,206
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**50,310**	5,251
Goodwill	15	**–**	–
Intangible assets	16	**5,368**	5,410
Other receivables	22	**–**	494,593
Interests in an associate	19	**–**	–
		7,020,671	7,256,435
Current assets			
Non-current assets held for sale	17	**–**	1,349,707
Inventories	20	**539,848**	729,389
Trade and bills receivables	21	**424,002**	298,199
Prepayments, deposits and other receivables	22	**878,224**	1,275,238
Due from an associate		**20,388**	23,104
Equity investments at fair value through profit or loss	23	**–**	33,300
Pledged deposits	24	**53,568**	47,003
Cash and cash equivalents	24	**896,487**	1,567,426
		2,812,517	5,323,366
Current liabilities			
Trade and bills payables	25	**1,543,439**	1,505,592
Other payables and accruals	26	**1,260,413**	1,556,462
Current portion of interest-bearing bank and other borrowings	27	**3,441,116**	4,592,235
Taxation		**164,997**	170,258
		6,409,965	7,824,547
Net current liabilities		**(3,597,448)**	(2,501,181)
Total assets less current liabilities		**3,423,223**	4,755,254

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Interest-bearing bank and other borrowings	27	**4,191,332**	3,564,643
Deferred income	28	**147,114**	134,011
Deferred taxation	29	**30,930**	226,433
Convertible bonds	30	**857,914**	806,091
		5,227,290	4,731,178
NET (LIABILITIES) ASSETS		**(1,804,067)**	24,076
Capital and reserves			
Share capital	31	**639,900**	639,900
Reserves		**(2,444,681)**	(787,384)
Deficit attributable to owners of the Company		**(1,804,781)**	(147,484)
Non-controlling interests		**714**	171,560
TOTAL (DEFICIT) EQUITY		**(1,804,067)**	24,076

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

Chairman
Yuan Weisen

Director
Zhang Zihua

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital	Share premium	Share option reserve	Asset revaluation reserve	Convertible bonds reserve	Other reserve	Statutory reserve fund	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	326,349	2,431,853	15,778	396,302	–	15,677	100,891	1,815,001	(4,286,720)	815,131	435,584	1,250,715
Loss for the year	–	–	–	–	–	–	–	–	(1,995,970)	(1,995,970)	(274,569)	(2,270,539)
Other comprehensive income for the year	–	–	–	(7,833)	–	–	–	29,436	–	21,603	10,545	32,148
Total comprehensive loss for the year	–	–	–	(7,833)	–	–	–	29,436	(1,995,970)	(1,974,367)	(264,024)	(2,238,391)
Transfer from accumulated losses	–	–	–	–	–	–	5,048	–	(5,048)	–	–	–
Transactions with owners:												
Contributions and distributions												
Issue of share capital	313,551	407,616	–	–	–	–	–	–	–	721,167	–	721,167
Issue of convertible bonds	–	–	–	–	290,585	–	–	–	–	290,585	–	290,585
Transfer of share option reserve upon the lapsed of share options of a subsidiary	–	–	(5,251)	–	–	–	–	–	5,251	–	–	–
Total transactions with owners	313,551	407,616	(5,251)	–	290,585	–	–	–	5,251	1,011,752	–	1,011,752
At 31 December 2015	639,900	2,839,469	10,527	388,469	290,585	15,677	105,939	1,844,437	(6,282,487)	(147,484)	171,560	24,076

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	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	639,900	2,839,469	10,527	388,469	290,585	15,677	105,939	1,844,437	(6,282,487)	(147,484)	171,560	24,076
Loss for the year	–	–	–	–	–	–	–	–	(1,850,640)	(1,850,640)	(61,646)	(1,912,286)
Other comprehensive loss for the year	–	–	–	12,623	–	–	–	180,720	–	193,343	(109,200)	84,143
Total comprehensive loss for the year	–	–	–	12,623	–	–	–	180,720	(1,850,640)	(1,657,297)	(170,846)	(1,828,143)
Transfer from accumulated losses	–	–	–	–	–	–	6,135	–	(6,135)	–	–	–
Transactions with owners:												
Contributions and distributions												
Transfer of share option reserve upon the lapsed of share options of a subsidiary *(note 32)*	–	–	(10,527)	–	–	–	–	–	10,527	–	–	–
At 31 December 2016	639,900	2,839,469	–	401,092	290,585	15,677	112,074	2,025,157	(8,128,735)	(1,804,781)	714	(1,804,067)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
OPERATING ACTIVITIES		
Loss before tax	**(2,082,382)**	(2,265,078)
Adjustments for:		
Finance costs	**441,118**	515,873
Bank interest income	**(1,160)**	(12,888)
(Gain) Loss on disposal of property, plant and equipment	**(58)**	26,721
Gain on disposal of prepaid land lease payments	**—**	(7,540)
Depreciation	**473,862**	588,109
Amortisation of prepaid land lease payments	**23,118**	24,433
Amortisation of intangible assets	**36**	9
Amortisation of deferred income	**(10,194)**	(10,646)
Impairment of property, plant and equipment	**257,426**	358,936
Impairment of prepaid land lease payments	**—**	5,135
Impairment of deposits paid for acquisition of property, plant and equipment	**33,931**	—
Impairment of goodwill	**—**	106,308
Impairment of other receivables	**877,201**	53,551
(Reversal of impairment) Impairment of trade receivables	**(29,879)**	23,187
(Reversal of write-off) Write-off of trade receivables	**(1,062)**	10,750
Provision (Reversal of provision) for inventories	**41,801**	(286,568)
Fair value losses of equity investments at fair value through profit or loss	**—**	2,317
Changes in working capital:		
Inventories	**99,538**	364,856
Trade and bills receivables	**(114,135)**	235,414
Due from an associate	**1,176**	(2,939)
Prepayments, deposits and other receivables	**(128,306)**	24,791
Trade and bills payables	**138,205**	(422,411)
Other payables and accruals	**(165,214)**	378,133
Deferred income	**1,783**	—
Cash used in operations	**(143,195)**	(289,547)
Interest received	**1,160**	12,888
Income taxes paid	**(1,721)**	(7,675)
Net cash used in operating activities	**(143,756)**	(284,334)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
INVESTING ACTIVITIES		
Deposits paid for acquisition of property, plant and equipment	**(45,409)**	—
Purchase of property, plant and equipment	**(124,265)**	(92,582)
Proceeds from disposal of property, plant and equipment	**2,728**	66,653
Proceeds on disposal of prepaid land lease payments	**—**	15,306
Payment of prepaid land lease payments	**—**	(2,463)
Proceeds from disposal of financial assets at fair value through profit or loss	**33,300**	—
Net cash used in investing activities	**(133,646)**	(13,086)
FINANCING ACTIVITIES		
New bank loans raised	**706,444**	4,593,265
Repayment of bank loans	**(688,675)**	(4,720,663)
Interest paid	**(389,295)**	(505,477)
Issue of share capital	**—**	721,167
Issue of convertible bonds	**—**	1,086,280
Pledged deposits	**(6,565)**	222,906
Net cash (used in) from financing activities	**(378,091)**	1,397,478
Net (decrease) increase in cash and cash equivalents	**(655,493)**	1,100,058
Cash and cash equivalents at beginning of year	**1,567,426**	478,780
Effect on exchange rate changes on cash and cash equivalents	**(15,446)**	(11,412)
Cash and cash equivalents at end of year (note 24)	**896,487**	1,567,426

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address 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 in Hong Kong is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacture and sale of corn refined products and corn based biochemical products.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2015 consolidated financial statements. The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year had no significant effects on the results and financial position of the Group for the current and prior years.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

A summary of the principal accounting policies adopted by the Group is set out below.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern

The Group recorded a loss for the year of approximately HK$1,912 million (2015: approximately HK$2,271 million) for the year ended 31 December 2016 and as at that date, the Group recorded net current liabilities of approximately HK$3,597 million (2015: approximately HK$2,501 million) and net liabilities of approximately HK$1,804 million (2015: net assets of approximately HK$24 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 Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") 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 certain subsidiaries 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 directors of the Company have taken the following steps to improve the Group's financial position.

(a) 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 GSH on 22 September 2015 (the "Agreement"), in respect of the banking facilities granted to the subsidiaries of the Company and GSH 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 their support to the subsidiaries of the Company and GSH in Changchun, confirmed the validity of the Agreement and expressed their intention to renew the existing banking facilities granted by them to the Company's and GSH's subsidiaries in Changchun upon expiry.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

(a) ***Active negotiations with banks to obtain adequate bank borrowings and to restructure its debts*** *(Continued)*

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., to resolve the problems associated with excess supply and to promote transformation and upgrade of business. 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 GSH Group have been actively studying the feasibility of the 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.

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

Reference is made to the joint announcement of the Company and GSH dated 2 March 2017. The Company and GSH 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 transfer agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and members of the GSH Group respectively (the "Property Disposal Agreements") 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 agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and members of the GSH Group respectively (the "Asset Disposal Agreements") in respect of the sale and purchase of including among others prepayments, trade and other receivables and/or inventories and tools of the Group and the GSH Group ("Relevant Assets"). During the negotiation process with the Former Purchaser with respect to the termination agreements, the Company, together with GSH, have been in discussion with another potential purchaser in respect of the sale and purchase of the Relevant Properties. The potential purchaser is a municipal government-owned enterprise. Pursuant to a memorandum of understanding entered into between the Group and the potential purchaser, it is expected that the potential purchaser shall purchase the Relevant Properties with a consideration of not less than RMB2.2 billion, subject to the price to be determined by way of auction. Although the negotiation for the proposed disposal is still at a preliminary stage, 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 and the GSH Group will have additional funds to finance its operations and the capital expenditure for relocation of their production facilities in Changchun.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

(c) Improvement of the Group's operating cash flows

The Group has taken 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.

(d) Financial support from the ultimate holding entity of a major shareholder

In March 2016, the Group received a written confirmation from the then ultimate holding entity of a major shareholder of the Company, 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 confirmation will expire in September 2017.

As announced by the Company 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 major shareholder of the Company. 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 was established in August 2016 and its paid up registered capital amounted to RMB461 million at the date of this report, 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 GSH 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 GSH Group.

Based on the considerations as outlined in (a), (b) (c) and (d) above, the directors are of the view that the Company could operate as a going concern in foreseeable future. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and reclassification of non-current asset and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Going concern *(Continued)*

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 provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

Adoption of new/revised HKFRSs

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Adoption of new/revised HKFRSs *(Continued)*

Annual Improvements Project – 2012-2014 Cycle *(Continued)*

(3) *HKAS 19 Employee Benefits: Discount Rate — Regional Market Issue*

The amendment clarifies that the depth of the market for high quality corporate bonds used to determine the discount rate for post-employment benefit obligations should be assessed at a currency level and not at country level. The adoption of the amendment did not have any significant impact on the consolidated financial statements.

(4) *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.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for leasehold buildings which are measured at revalued amount, financial assets at fair value through profit or loss and financial guarantee contracts upon initial recognition which are measured at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. 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. All intra-group balances, transactions, income, expenses and profits and losses resulting from transactions between members of the Group are eliminated in full on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Non-controlling interests are presented, separately from owners of the Company, in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

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. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

If the Group loses control over a subsidiary, it derecognises (i) the carrying amount of assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any interest retained and (iii) any resulting surplus or deficit in profit or loss. 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. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. 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).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses in the Company's statement of financial position which is presented within these notes.

Associate

An associate is an entity in which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position initially at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. Goodwill arising from the acquisition of an associate is included as part of the Group's investments in an associate. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Goodwill

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 any 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 as 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 disposed of and the portion of the cash-generating unit retained.

Property, plant and equipment

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 or when it is part of a disposal group 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 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 the 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. 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 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% to 3.4%
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 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 a 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.

Prepaid land lease payments

Prepaid land lease payments are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Non-current assets held for sale

Non-current assets (or disposal group) held for sale are measured at the lower of its carrying amount and fair value less costs to sell. Since its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale must be highly probable.

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the disposal group) shall be measured in accordance with applicable HKFRSs. When the sale is expected to occur beyond one year, the costs to sell shall be measured at their present value. Any increase in the present value of the costs to sell that arises from the passage of time shall be presented in profit or loss as a finance cost.

Intangible assets

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 as 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 on a straight-line basis over the useful economic 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 annually either individually or at the cash-generating unit level. Such 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.

Research and development costs

All research costs are charged to profit or loss as incurred.

Trademarks

Trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Golf club membership

Golf club membership is assessed as having indefinite useful life and 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists in the Group's property, plant and equipment and intangible assets, or when annual impairment testing for an asset is required, 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 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 pre-tax 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 revaluation, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 is reversed 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 or 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 revaluation, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Financial instruments

Recognition and derecognition

Financial assets and 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.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

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, cancelled or expires.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) Loans and receivables

Loans and receivables including cash and bank balances, trade and bills receivables, and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

(2) Financial liabilities

The Group's financial liabilities include trade and other payables, bank loans and other borrowings and obligations under finance leases. All financial liabilities, except for financial liabilities at fair value through profit or loss, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

(3) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of the reporting period.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Convertible bond

The component of the convertible bond that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of issue costs. On the issue of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bonds reserve within equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bonds reserve is transferred to share capital and other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bonds reserve is transferred to retained profits/accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Government grants *(Continued)*

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.

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. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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 profit or loss. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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. For classification in 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.

2. PRINCIPAL 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, on the following bases.

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

Interest income from financial assets 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.

Leases

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

Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Pension schemes and other 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 Mainland China 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 that the group companies 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Taxation

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 jurisdictions 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. Deferred tax liabilities are recognised for all taxable temporary differences except when the deferred tax liability is arisen from the initial recognition of goodwill or other 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 and an associate, 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, unutilised tax credits and losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax credits losses can be utilised.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation 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 translated 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.

The functional currencies of certain overseas subsidiaries and an associate are currencies other than the Hong Kong dollar. As 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 results are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in exchange 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new / revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

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

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 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
5 Effective for annual periods beginning on or after 1 January 2017 or 2018 where applicable

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's 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, and the disclosure of contingent liabilities. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the 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.

Impairment of trade and other receivables

The policy for provision for impairment losses of trade and other receivables of the Group is based on the evaluation of collectability, the aged analysis of receivables and management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or counterparty. If the financial conditions of customers or counterparties were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The Group reviews an ageing analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Income taxes

At 31 December 2016, a deferred tax asset of approximately HK$134 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 approximately HK$9,142 million and the remaining deductible temporary difference of approximately HK$5,250 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. SEGMENT INFORMATION

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

(a) the upstream products segment engages in the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products;

(b) the amino acids segment engages in the manufacture and sale of corn based biochemical products, including lysine and threonine;

(c) the polyol chemicals segment engages in the manufacture and sale of corn based biochemical products, including polyol chemicals, anti-freeze products, hydrogen and ammonia; and

(d) the corn sweeteners segment engages in the manufacture and sale of corn based biochemical products, including glucose, maltose, high fructose corn syrup, crystallised glucose and maltodextrin.

The management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with that of the Group's except that interest income, finance costs, government grants, fair value gains or losses and disposal gains or losses from financial instruments as well as corporate income and expenses are excluded from such measurement.

4. SEGMENT INFORMATION *(Continued)*

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

(a) Segment results

For the year ended 31 December 2016

	Upstream products *HK$'000*	Amino acids *HK$'000*	Polyol chemicals *HK$'000*	Corn sweeteners *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customers	**1,359,215**	**1,926,653**	**4,881**	**592,091**	**–**	**3,882,840**
Intersegment	**97,904**	**–**	**–**	**115,262**	**(213,166)**	**–**
Total revenue	**1,457,119**	**1,926,653**	**4,881**	**707,353**	**(213,166)**	**3,882,840**
Segment results	**(1,331,638)**	**(227,040)**	**(56,565)**	**21,813**	**–**	**(1,593,430)**
Bank interest income						**1,160**
Unallocated revenue						**32,230**
Unallocated expenses						**(81,224)**
Finance costs						**(441,118)**
Loss before tax						**(2,082,382)**
Income tax credit						**170,096**
Loss for the year						**(1,912,286)**

For the year ended 31 December 2015

	Upstream products *HK$'000*	Amino acids *HK$'000*	Polyol chemicals *HK$'000*	Corn sweeteners *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customers	1,609,114	881,615	60,045	801,229	–	3,352,003
Intersegment	154,606	–	–	–	(154,606)	–
Total revenue	1,763,720	881,615	60,045	801,229	(154,606)	3,352,003
Segment results	(1,104,511)	(503,345)	(41,769)	(145,477)	–	(1,795,102)
Bank interest income						12,888
Unallocated revenue						118,100
Unallocated expenses						(85,091)
Finance costs						(515,873)
Loss before tax						(2,265,078)
Income tax expense						(5,461)
Loss for the year						(2,270,539)

4. SEGMENT INFORMATION *(Continued)*

(b) Other information

For the year ended 31 December 2016

	Upstream products HK$'000	Amino acids HK$'000	Polyol chemicals HK$'000	Corn sweeteners HK$'000	Total HK$'000
Capital expenditure	52,015	16,038	4,472	51,740	124,265
Depreciation	261,104	182,012	5,599	25,147	473,862
Amortisation of prepaid land lease payments	11,162	8,120	671	3,165	23,118
Gain (Loss) on disposal of property, plant and equipment	–	68	–	(10)	58
Impairment (Reversal of impairment) of property, plant and equipment	310,177	(384)	3,504	(55,871)	257,426
Impairment (Reversal of impairment) of trade receivables	(20,582)	(41,082)	29,514	2,271	(29,879)
Write-off (Reversal of write-off) of trade receivables	–	6	–	(1,068)	(1,062)
Provision (Reversal of provision) for inventories	59,936	(11,420)	(6,749)	34	41,801
Impairment of deposits paid for acquisition of property, plant and equipment	338	21,048	12,545	–	33,931
Impairment of prepayments and other receivables	576,581	287,912	12,428	280	877,201

4. SEGMENT INFORMATION *(Continued)*

(b) Other information *(Continued)*

For the year ended 31 December 2015

	Upstream products *HK$'000*	Amino acids *HK$'000*	Polyol chemicals *HK$'000*	Corn sweeteners *HK$'000*	Total *HK$'000*
Capital expenditure	71,824	13,179	534	9,508	95,045
Depreciation	314,678	186,871	7,093	79,467	588,109
Amortisation of prepaid land lease payments	17,630	3,918	–	2,885	24,433
Gain on disposal of prepaid land lease payments	7,540	–	–	–	7,540
Gain (Loss) on disposal of property, plant and equipment	(28,553)	(935)	–	2,767	(26,721)
Impairment of prepaid land lease payments	5,135	–	–	–	5,135
Impairment of property, plant and equipment	301,269	–	–	57,667	358,936
Impairment of goodwill	106,308	–	–	–	106,308
Impairment (Reversal of impairment) of trade receivables	886	21,567	2,361	(1,627)	23,187
Write-off of trade receivables	10,750	–	–	–	10,750
Provision (Reversal of provision) for inventories	(16,509)	(21,690)	(250,424)	2,055	(286,568)
Impairment (Reversal of impairment) of prepayments and other receivables	57,238	(3,493)	(194)	–	53,551

5. REVENUE, OTHER INCOME AND GAINS

	2016 HK$'000	2015 HK$'000
Revenue		
Sale of goods	**3,882,840**	3,352,003
Other income		
Bank interest income	**1,160**	12,888
Net profit from the sale of packing materials and by-products	**6,778**	12,571
Government grants *(note)*	**61,894**	56,012
Reversal of indemnity for breach of contract	**—**	21,938
Reversal of impairment of trade and other receivables	**29,879**	—
Reversal of write-off of trade receivables	**1,062**	—
Deferred income	**10,194**	10,646
Others	**39,861**	2,629
	150,828	116,684
Gains		
Gain on disposal of property, plant and equipment	**58**	—
Foreign exchange gain	**36,230**	21,845
	36,288	21,845
	187,116	138,529

Note: Government grants represented the rewards to certain subsidiaries located in the Mainland China for environmental protection of land owned by these subsidiaries and energy efficiency rebates.

6. LOSS BEFORE TAX

This is stated after charging (crediting):

	2016 HK$'000	2015 HK$'000
Employee benefits expenses including directors' remuneration:		
Wages and salaries	**278,928**	150,417
Pension scheme contributions	**47,359**	24,284
	326,287	174,701
Cost of inventories sold	**3,516,789**	3,576,881
Depreciation	**473,862**	588,109
Amortisation of prepaid land lease payments	**23,118**	24,433
Auditor's remuneration	**8,300**	8,300
Impairment of property, plant and equipment	**257,426**	358,936
Impairment of prepaid land lease payments	**–**	5,135
Impairment of goodwill	**–**	106,308
Impairment of deposits paid for acquisition of property, plant and equipment	**33,931**	–
Impairment of prepayments and other receivables	**877,201**	53,551
Research and development costs	**11,338**	2,780
(Reversal of impairment) Impairment of trade receivables	**(29,879)**	23,187
(Reversal of write-off) Write-off of trade receivables	**(1,062)**	10,750
Reversal of indemnity for breach of contract	**–**	(21,938)
(Gain) Loss on disposal of property, plant and equipment	**(58)**	26,721
Foreign exchange difference, net	**(36,230)**	(21,845)
Provision (Reversal of provision) for inventories	**41,801**	(286,568)
Amortisation of deferred income	**(10,194)**	(10,646)
Amortisation of intangible assets	**36**	9

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank and other borrowings	**387,819**	503,522
Finance costs for discounted bills receivable	**1,476**	1,955
Imputed interest on convertible bonds	**51,823**	10,396
	441,118	515,873

8. DIRECTORS' REMUNERATION

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of service, is entitled to performance related bonuses. The aggregate amount of the bonuses payable to all the executive directors for any financial year may not exceed 5% of the consolidated net profit from ordinary activities attributable to equity holders in respect of that financial year. For the years ended 31 December 2016 and 2015, no bonus was paid to the executive directors.

	2016			
	Directors' fees HK$'000	Basic salaries, housing benefits, other allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Ms. Wang Qiu	–	–	–	–
Mr. Wang Jian	–	–	–	–
Mr. Li Shuguang	–	–	–	–
Ms. Liu Fang (resigned on 19.6.2016)	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Mr. Ng Kwok Pong	480	–	–	480
Mr. Yeung Kit Lam	480	–	–	480
Ms. Chiu Lai Ling, Shirley (appointed on 16.3.2016)	380	–	–	380
	1,340	–	–	1,340

8. DIRECTORS' REMUNERATION *(Continued)*

	2015			
	Directors' fees *HK$'000*	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Ms. Wang Qiu (appointed on 15.10.2015)	–	–	–	–
Mr. Wang Jian (appointed on 15.10.2015)	–	–	–	–
Mr. Li Shuguang (appointed on 15.10.2015)	–	–	–	–
Ms. Liu Fang (appointed on 15.10.2015)	–	–	–	–
Mr. Liu Xiaoming (resigned on 15.10.2015)	–	4,347	15	4,362
Ms. Xu Ziyi (resigned on 15.10.2015)	–	1,554	15	1,569
Mr. Li Weigang (resigned on 15.10.2015)	–	1,771	–	1,771
Mr. Wang Yongan (resigned on 15.10.2015)	–	656	–	656
Mr. Ji Jianping (appointed on 12.3.2015 and resigned on 15.10.2015)	–	1,152	–	1,152
Mr. Cheung Chak Fung (appointed on 23.4.2015 and resigned on 15.10.2015)	–	1,520	12	1,532
	–	11,000	42	11,042
Independent non-executive directors				
Mr. Ng Kwok Pong (appointed on 1.3.2015)	400	–	–	400
Mr. Yeung Kit Lam (appointed on 23.4.2015)	331	–	–	331
Mr. Chan Chi Wai, Benny (appointed on 1.3.2015 and resigned on 28.12.2015)	396	–	–	396
Mr. Chan Man Hon, Eric (resigned on 28.2.2015)	80	–	–	80
Mr. Lee Yuen Kwong (resigned on 27.2.2015)	80	–	–	80
Mr. Li Defa (resigned on 5.2.2015)	22	–	–	22
	1,309	–	–	1,309

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included nil (2015: four) executive directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining (2015: one) non-director, highest paid employees for the year are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	**7,894**	1,327
Pension scheme contributions	**—**	—
	7,894	1,327

The number of non-director, highest paid employees whose remuneration fell within the following bands are as follows:

	2016 HK$'000	2015 HK$'000
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**—**	—
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	—
	5	1

During the year, no emolument was paid or payable by the Group to any of the directors or the highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Year (2015: Nil). Taxes on profits in the PRC and overseas have been calculated at the rates of tax prevailing in the locations in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current tax — current year		
The PRC	**(1,584)**	(4,886)
Overseas	**—**	(15)
	(1,584)	(4,901)
Deferred taxation		
Origination and reversal of temporary differences	**171,680**	(560)
Total tax credit (charge) for the year	**170,096**	(5,461)
Taxation recognised directly in other comprehensive income		
Deferred tax credit relating to revaluation deficit of property, plant and equipment	**8,190**	1,283
Deferred tax recognised in profit or loss		
Types of temporary differences		
Depreciation allowances	**191,293**	(560)
Impairment losses on trade receivables	**35,224**	—
Withholding tax on distributable profits of PRC subsidiaries	**15,601**	—
Under provision in previous years	**(70,438)**	—
	171,680	(560)

10. TAXATION *(Continued)*

Reconciliation of tax expense

	2016 **HK$'000**	2015 HK$'000
Reconciliation of tax expense		
Loss before tax	**(2,082,382)**	(2,265,078)
Income tax at applicable tax rate	**(515,547)**	(552,695)
Preferential tax rate offered	**—**	42,837
Non-deductible expenses	**160,597**	197,922
Tax-exempt income	**(26,442)**	(9,341)
Unrecognised temporary difference	**196,181**	99,115
Unrecognised tax losses	**211,858**	229,678
Utilisation of previously unrecognised tax losses	**(25,084)**	(12,665)
Recognition of previously unrecognised deferred tax and reversal of deferred taxes	**(171,659)**	—
Others	**—**	10,610
Total tax (credit) charge for the year	**(170,096)**	5,461

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

12. LOSS PER SHARE

Basic

The calculation of the basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company of HK$1,850,640,000 (2015: HK$1,995,970,000), and the weighted average number of 6,398,998,360 (2015: 3,933,543,184) ordinary shares in issue during the Year.

Diluted

	2016	2015
	HK$'000	*HK$'000*
Loss for the year attributable to ordinary equity holders of the Company	**1,850,640**	1,995,970
Imputed interest expense on convertible bonds	**(51,823)**	(10,396)
Loss for the year for calculation of diluted loss per share	**1,798,817**	1,985,574

During the years ended 31 December 2016 and 2015, as anti-dilutive effect is resulted following the losses incurred by the Group, no adjustment has been made to the basic loss per share amounts.

13. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount — Year ended 31 December 2016	Leasehold buildings *HK$'000*	Plant and machinery *HK$'000*	Leasehold improvement, furniture, equipment and Motor vehicles *HK$'000*	Construction in-progress *HK$'000*	Total *HK$'000*
Cost or valuation					
At 1 January 2016	**4,019,397**	**1,480,567**	**12,240**	**789,771**	**6,301,975**
Additions	**376**	**13,303**	**2,842**	**107,744**	**124,265**
Transfer	**–**	**178,929**	**–**	**(178,929)**	**–**
Reclassified from held for sale	**1,086,788**	**–**	**–**	**(2,522)**	**1,084,266**
Disposals	**–**	**(1,981)**	**(25)**	**(664)**	**(2,670)**
Revaluation	**(20,633)**	**–**	**–**	**–**	**(20,633)**
Depreciation	**(162,370)**	**(306,543)**	**(4,949)**	**–**	**(473,862)**
Impairment	**(120,581)**	**(103,193)**	**(629)**	**(33,023)**	**(257,426)**
Exchange realignment	**(238,686)**	**(86,631)**	**(537)**	**(39,563)**	**(365,417)**
At 31 December 2016	**4,564,291**	**1,174,451**	**8,942**	**642,814**	**6,390,498**
Reconciliation of carrying amount — Year ended 31 December 2015					
At 1 January 2015	5,504,426	2,270,358	21,909	965,676	8,762,369
Additions	3,713	50,580	3,746	25,073	83,112
Transfer	78,161	3,300	–	(81,461)	–
Reclassified as held for sale	(1,154,856)	–	–	2,768	(1,152,088)
Disposals	(12,112)	(20,577)	(3,515)	(57,170)	(93,374)
Revaluation	(7,117)	–	–	–	(7,117)
Depreciation	(158,105)	(421,030)	(8,974)	–	(588,109)
Impairment	–	(324,255)	(333)	(34,348)	(358,936)
Exchange realignment	(234,713)	(77,809)	(593)	(30,767)	(343,882)
At 31 December 2015	4,019,397	1,480,567	12,240	789,771	6,301,975

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

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture, equipment and Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 31 December 2016					
At Cost	**–**	**8,998,310**	**166,858**	**704,900**	**9,870,068**
At valuation	**5,953,958**	**–**	**–**	**–**	**5,953,958**
Accumulated depreciation and impairment losses	**(1,389,667)**	**(7,823,859)**	**(157,916)**	**(62,086)**	**(9,433,528)**
	4,564,291	**1,174,451**	**8,942**	**642,814**	**6,390,498**
At 31 December 2015					
At Cost	–	9,366,055	188,471	822,483	10,377,009
At valuation	4,872,182	–	–	–	4,872,182
Accumulated depreciation and impairment losses	(852,785)	(7,885,488)	(176,231)	(32,712)	(8,947,216)
	4,019,397	1,480,567	12,240	789,771	6,301,975

Leasehold buildings

The Group's leasehold buildings with useful lives of the shorter of the lease terms and 50 years were stated at the most recent valuation less accumulated depreciation and impairment.

At 31 December 2016, the Group has not obtained building certificates for certain leasehold buildings with a total net carrying amount of HK$2,291,606,000 (2015: HK$1,624,259,000). The directors considered that there were no potential risks given that the Group has obtained the certificates for the underlying land use rights.

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$4,245,196,000 (2015: HK$3,698,150,000).

Leasehold buildings transferred from non-current assets held for sale

As disclosed in note 17 to the consolidated financial statements, at 31 December 2016, buildings classified under non-current assets held for sale as at 31 December 2015 have been reclassified to leasehold buildings within property, plant and equipment. These leasehold buildings were revalued individually at 31 March 2016 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at an aggregate open market value of HK$952,655,000 based on open market value. A loss on revaluation and impairment of approximately HK$20,633,000 and HK$120,581,000 were recognised in other comprehensive losses and profit or loss respectively during the year ended 31 December 2016.

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

Leasehold buildings transferred from non-current assets held for sale *(Continued)*

In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2016, no revaluation has been performed as at that date. The fair value measurement hierarchy, valuation technique used and key inputs to the valuation of leasehold buildings are summarised in note 38 to the consolidated financial statements.

Other information

Details of the Group's property, plant and equipment pledged to secure the Group's interest—bearing bank loans are set out in note 27.

14. PREPAID LAND LEASE PAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Carrying amount at 1 January	**461,255**	721,304
Additions	**—**	2,463
Amortised during the year	**(23,118)**	(24,433)
Reclassified from (to) non-current assets held for sale	**180,370**	(197,619)
Disposal	**—**	(7,766)
Impairment	**—**	(5,135)
Exchange realignment	**(23,864)**	(27,559)
Carrying amount at 31 December	**594,643**	461,255
Current portion included in prepayments, deposits and other receivables	**(20,148)**	(12,049)
Non-current portion	**574,495**	449,206

At 31 December 2016, the Group has not obtained land use right certificates for prepaid land lease payments with a total carrying amount of HK$11,228,000 (2015: HK$12,344,000).

Details of the Group's leasehold land pledged to secure the Group's interest-bearing bank loans are set out in note 27.

On 31 December 2015, pursuant to a memorandum of understanding entered into with an independent third party, parcels of land with carrying amount of HK$197,619,000 were reclassified to non-current assets held for sale. Notwithstanding the effort made by the Company, certain conditions precedent as contemplated under the property disposal agreements ("Property Disposal Agreements") are yet to be fulfilled. In December 2016, Jilin Province Taiyangshen Construction Engineering Co., Ltd ("Former Purchaser") proposed to terminate the Property Disposal Agreements. Non-current assets held for sale were reclassified to prepaid land lease payments and leasehold buildings respectively. Further details are set out in note 17 to the consolidated financial statements.

15. GOODWILL

	2016 HK$'000	2015 HK$'000
Reconciliation of carrying amount		
At beginning of the year	**–**	106,308
Impairment losses	**–**	(106,308)
At the end of the reporting period	**–**	–
Cost	**360,889**	360,889
Accumulated impairment losses	**(360,889)**	(360,889)
	–	–

16. INTANGIBLE ASSETS

	Golf club membership HK$'000	Trademarks HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2015			
At beginning of the year	5,284	140	5,424
Amortisation	–	(9)	(9)
Exchange realignment	–	(5)	(5)
At the end of the reporting period	5,284	126	5,410
Reconciliation of carrying amount – year ended 31 December 2016			
At beginning of the year	5,284	126	5,410
Amortisation	–	(36)	(36)
Exchange realignment	–	(6)	(6)
At the end of the reporting period	**5,284**	**84**	**5,368**
At 31 December 2015			
Cost	5,284	146	5,430
Accumulated amortisation	–	(20)	(20)
	5,284	126	5,410
At 31 December 2016			
Cost	5,284	146	5,430
Accumulated amortisation	–	(62)	(62)
	5,284	84	5,368

17. NON-CURRENT ASSETS HELD FOR SALE

Reference is made to the joint announcement of the Company and GSH dated 14 April 2016 (the "April 2016 Announcement") and the circulars of GBT and GSH dated 3 June 2016 in respect of the very substantial disposal transactions for the disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools.

Following the approval of the very substantial disposal transactions by the GBT shareholders and GSH shareholders at the extraordinary general meetings held respectively by GBT and GSH, the relevant members of the Group have been actively working with the Former Purchaser in relation to the fulfillment of the conditions precedent and completion arrangement of the Transaction. However, notwithstanding the effort made by the Group, certain conditions precedent as contemplated under the Property Disposal Agreements are yet to be fulfilled. In December 2016, the Former Purchaser proposed to terminate the Property Disposal Agreements based on the alleged non-fulfillment of conditions precedent.

The Group has sought PRC legal advice of their rights under the Property Disposal Agreements 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. The Directors thus consider that the successful disposal of the non-current assets held for sale to the Former Purchaser is becoming remote. The criteria of classifying these assets as non-current assets held for sale are no longer met, and these assets are reclassified to leasehold buildings included in property, plant and equipment and prepaid land lease payments as at 31 December 2016.

18. SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal place of business and place of incorporation/ registration	Particulars of registered/paid-up capital	Proportion of ownership interests held by the Group	Principal activities
GSH	Cayman Islands	HK$152,758,600	64	Investment holding
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.* ("Jinzhou Yuancheng")	PRC/Mainland China	US$59,504,000	64	Manufacture and sale of corn refined products
Shanghai Hao Cheng Food Development Co., Ltd.*	PRC/Mainland China	US$9,668,000	64	Manufacture and sale of corn based sweeteners
Changchun Dihao Foodstuff Development Co., Ltd.* ("Changchun Dihao")	PRC/Mainland China	RMB179,700,000	64	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	PRC/Mainland China	US$22,200,000	64	Manufacture and sale of crystallised sugar
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/Mainland China	US$7,770,000	64	Manufacture and sale of corn based sweetenerproducts

18. SUBSIDIARIES *(Continued)*

Name of subsidiary	Principal place of business and place of incorporation/ registration	Particulars of registered/paid-up capital	Proportion of ownership interests held by the Group	Principal activities
Global Sweeteners Trade Development (Dalian) Co. Ltd.*	PRC/Mainland China	US$9,100,000	64	International trading, exhibition and consultation
Global Sweeteners HFCS (Holding) Limited	Hong Kong	HK$1,000	64	Investment holding
Harbin Dacheng Bio-Technology Co., Ltd.	PRC/Mainland China	RMB303,000,000	100	Manufacture and sale of corn based sweetener products
Changchun Wanxiang Corn Oil Co., Ltd.#	PRC/Mainland China	HK$28,500,000	79	Manufacture and sale of corn oil products
Changchun Dacheng Industrial Group Co., Ltd. ("Dacheng Industrial")*	PRC/Mainland China	RMB193,000,000	100	Investment holding
Bio-chem Technology (HK) Limited	Hong Kong	HK$2	100	Trading of corn refined products and corn based biochemical products
Changchun Baocheng Bio-chemical Development Co., Ltd.* ("Changchun Baocheng")	PRC/Mainland China	US$49,227,952	100	Manufacture and sale of corn based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd.* ("Dahe")	PRC/Mainland China	US$123,000,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-tech Development Co., Ltd.* ("Dacheng Bio-tech")	PRC/Mainland China	RMB2,066,150,000	100	Manufacture and sale of corn based biochemical products

* Registered as wholly-foreign-owned enterprises under PRC law

\# Registered as Sino-foreign enterprises under PRC law

The above subsidiaries are indirectly held by the Company. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. SUBSIDIARIES *(Continued)*

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	GSH	
	2016	2015
	HK$'000	*HK$'000*
Percentage of equity interest held by NCI	**36%**	36%
Revenue, other income and gains	**1,148,944**	1,687,010
Costs and expenses	**(1,403,422)**	(2,434,218)
Income tax credit (expense)	**92,120**	(6,559)
Loss for the year	**(162,358)**	(753,767)
Other comprehensive (loss) income	**(4,149)**	8,354
Total comprehensive loss for the year	**(166,507)**	(745,413)
Loss for the year attributable to NCI	**(58,449)**	(274,569)
Total comprehensive loss for the year attributable to NCI	**(59,942)**	(264,024)
Dividends paid to NCI	**–**	–
Current assets	**487,874**	1,013,409
Non-current assets	**924,897**	604,063
Current liabilities	**(1,167,084)**	(1,141,399)
Non-current liabilities	**(233,707)**	(297,586)
Net assets	**11,980**	178,487
Accumulated balances of NCI	**4,313**	171,560
Net cash flows from (used in):		
Operating activities	**(72,348)**	4,751
Investing activities	**(52,646)**	(14,660)
Financing activities	**185,352**	(117,608)
Net increase (decrease) in cash and cash equivalents	**60,358**	(127,517)

The financial statements of the subsidiaries not audited by World Link CPA Limited reflect total assets, total liabilities and total revenue constituting approximately 14%, 12% and 26% respectively of the related consolidated totals.

19. INTERESTS IN AN ASSOCIATE

	2016 *HK$'000*	2015 *HK$'000*
Unlisted shares, at costs		
Share of net assets	–	–

Investment in the associate represents 40% (2015: 40%) of the registered and paid-in capital of Changchun Dacheng Hexin Technology Development Co., Ltd. ("Dacheng Hexin"), a company incorporated in PRC and conducts business principally in Mainland China. It is principally engaged in manufacture and sale of botanical straw based sweetener products.

The Group has discontinued the recognition of its share of losses of Dacheng Hexin because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were HK$475,000 (2015: HK$894,000) and HK$5,297,000 (2015: HK$4,822,000), respectively.

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	2016 *HK$'000*	2015 *HK$'000*
Assets	**63,436**	66,623
Liabilities	**(76,959)**	(79,897)
Revenue	–	–
Loss for the year	**(1,187)**	(2,234)

20. INVENTORIES

	2016 *HK$'000*	2015 *HK$'000*
Raw materials	**481,170**	425,855
Finished goods	**58,678**	303,534
	539,848	729,389

21. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	732,965	704,040
Bills receivable	47,371	2,411
Impairment	(356,334)	(408,252)
	424,002	298,199

The Group normally allows credit terms of 90 days to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

21(a) Ageing analysis

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

	2016 HK$'000	2015 HK$'000
Within 1 month	198,996	200,217
1 to 2 months	48,990	33,228
2 to 3 months	47,747	14,297
3 to 6 months	41,737	13,611
Over 6 months	86,532	36,846
	424,002	298,199

21(b) Allowance for doubtful debts

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

	2016 HK$'000	2015 HK$'000
At 1 January	408,252	416,325
Impairment losses recognised	51,505	30,045
Impairment losses reversed	(81,384)	(6,858)
Amount written off	—	(13,394)
Exchange realignment	(22,039)	(17,866)
At 31 December	356,334	408,252

21. TRADE AND BILLS RECEIVABLES *(Continued)*

21(b) Allowance for doubtful debts *(Continued)*

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivables of HK$356,334,000 (2015: HK$408,252,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

The ageing analysis of the trade receivables that are neither past due nor considered to be impaired is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Not yet due	**325,232**	247,742
Past due:		
Less than 1 month	**3,934**	10,449
1 to 3 months	**15,305**	3,162
Over 3 months	**79,531**	36,846
	424,002	298,199

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 are of the opinion 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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 ***HK$'000***	2015 *HK$'000*
Prepayments	**161,187**	808,050
Deposits and other receivables	**717,037**	961,781
	878,224	1,769,831
Non-current portion	**—**	(494,593)
	878,224	1,275,238

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

As at 31 December 2016, deposits and other receivables amounting to approximately HK$824 million (2015: HK$756 million) was due from Changchun Dajincang Corn Procurement, Ltd. (長春大金倉玉米收儲有限公司, "Dajincang"), a major supplier of corn kernels. The amount mainly arose from return of corn kernels inventories to Dajincang by two of the Company's subsidiaries, Changchun Dihao and Changchun Baocheng, and a prepayment made by Dahe during the year ended 31 December 2014.

On 14 April 2016, certain members of the Group and the GSH Group entered into agreements with the Former Purchaser to dispose of, among others, the receivable from Dajincang at an aggregate consideration of approximately RMB845 million (equivalent to HK$1,006 million). With respect to the payment schedule of the consideration, RMB338 million (equivalent to HK$402 million), RMB253.5 million (equivalent to HK$302 million) and RMB253.5 million (equivalent to HK$302 million) is payable on or before 31 December 2016, 31 December 2017 and 31 December 2018 respectively.

In December 2016, although all conditions precedent under the Asset Disposal Agreements (as defined in the April 2016 Announcement) have been fulfilled and the completion of the Asset Disposal Agreements are not conditional upon the completion of the Property Disposal Agreements, the Former Purchaser also proposed to terminate the Asset Disposal Agreements. At 31 December 2016, management considers the disposal transaction to the Former Purchaser will not proceed. The receivable from Dajincang is then reclassified to current assets under normal credit terms. Yet these receivables are considered irrecoverable and further provision for impairment has been made, amounting to HK$802 million. As a result, the net carrying amount of receivable from Dajincang amounted to approximately HK$22 million as at 31 December 2016.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The amount at 31 December 2015 represented fair value of insurance products held at the end of the reporting period. Upon initial recognition, the insurance product was designated as financial assets at fair value through profit or loss, which were carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

24. CASH AND CASH EQUIVALENTS

	2016	2015
	HK$'000	*HK$'000*
Cash and bank balances	**896,487**	1,567,426
Pledged deposits	**53,568**	47,003
	950,055	1,614,429
Less: pledged deposits for security of bills payable	**(53,568)**	(47,003)
	896,487	1,567,426

24. CASH AND CASH EQUIVALENTS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$298,798,000 (2015: HK$114,511,000). The RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB 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 and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**1,253,421**	1,246,932
Bills payable	**290,018**	258,660
	1,543,439	1,505,592

An ageing analysis of the trade and bills payables as 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	**322,270**	255,456
1 to 2 months	**27,012**	26,150
2 to 3 months	**18,357**	28,529
Over 3 months	**1,175,800**	1,195,457
	1,543,439	1,505,592

The trade payables are non-interest-bearing and normally settled on terms of 30 to 90 days.

26. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Payables for purchases of machinery in advance	167,498	240,429
Customer deposits/receipts in advance	217,797	248,255
Accruals	255,739	257,535
Others	619,379	810,243
	1,260,413	1,556,462

Other payables are non-interest-bearing and have an average repayment term of three months.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans – secured	3.915-7.995	2017	1,330,222	3.3-7.995	2016	1,056,681
Bank loans – unsecured	4.275-5.75	On demand/2017	2,014,334	4.365-5.75	2016	3,247,380
Long term bank loans repayable on demand – unsecured	1.72/HIBOR+1.5	On demand/2021	19,338	HIBOR+1.5	On demand/2021	23,888
Entrusted loans – secured	8.9	2017	77,222	8.06	2016	264,286
			3,441,116			4,592,235
Non-current						
Bank loans – secured	4.78-7.995	2019	547,321	4.78-7.995	2018	611,071
Bank loans – unsecured	4.275-4.86	2020	3,640,000	4.78-4.86	2020	2,947,858
Other loans – unsecured	2.55	2021	4,011	2.55	2021	5,714
			4,191,332			3,564,643
			7,632,448			8,156,878

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Analysed into:	**2016** **HK$'000**	2015 HK$'000
Bank loans repayable		
Within one year or on demand	**3,441,116**	4,592,235
In the second year	**1,649,544**	682,143
In the third to fifth years, inclusive	**2,537,777**	2,876,786
	7,628,437	8,151,164
Other borrowings repayable:		
In the third to fifth years, inclusive	**4,011**	—
Beyond five years	**—**	5,714
	7,632,448	8,156,878
Secured	**1,954,765**	1,932,038
Unsecured	**5,677,683**	6,224,840
	7,632,448	8,156,878

	2016 **HK$'000**	2015 HK$'000
Additional information		
Collaterals pledged for security:		
Carrying value of property, plant and equipment	**2,820,417**	2,392,055
Carrying value of prepaid land lease payments	**333,441**	185,395
Corporate guarantee by:		
The Company	**5,803,893**	6,355,673
Certain subsidiaries	**727,321**	937,157
Independent third parties	**166,667**	178,571
Denominated in:		
Renminbi	**7,613,110**	8,132,990
Hong Kong dollars	**19,338**	23,888

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Certain of the banking facilities are subject to the fulfillment of covenants relating to certain of the ratios based on the borrowing subsidiaries' statement of financial position, as are commonly found in lending arrangements with financial institutions. If the entities were to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's term loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Company and its subsidiaries have complied with the covenants and met the scheduled repayment obligations.

The directors regularly monitors its compliance with these covenants and has made payments according to the schedule of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Company continues to meet these requirements. Further details of the Company's management of liquidity risk are set out in note 39. As at 31 December 2016, covenants relating to drawn down facilities had been breached by GSH Group, amounting to HK$249 million (2015: HK$nil). In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group in the aggregate outstanding principal amount of approximately HK$242 million (2015: HK$nil).

28. DEFERRED INCOME

	2016 ***HK$'000***	2015 *HK$'000*
At beginning of the year, as previously reported	**134,011**	146,004
Prior year adjustment	**—**	5,019
As restated	**134,011**	151,023
Addition	**31,778**	—
Amortisation	**(10,194)**	(10,646)
Reversed	**—**	—
Reclassification	**—**	400
Exchange realignment	**(8,481)**	(6,766)
At the end of the reporting period	**147,114**	134,011

The balance represented the receipt of government grants for the construction of certain of the Group's production plants, which has been credited as a non-current liability in the consolidated statement of financial position. Such deferred income is amortised on the straight-line basis to profit or loss over the expected useful lives of the relevant assets acquired.

29. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax position was as follows:

	2016 HK$'000	2015 HK$'000
At beginning of the year	**226,433**	231,365
Exchange differences	**(15,633)**	(4,209)
(Credit) Charge to profit or loss	**(171,680)**	560
Tax (credit) in other comprehensive income	**(8,190)**	(1,283)
At the end of the reporting period	**30,930**	226,433

Recognised deferred tax assets and liabilities at the end of the reporting period represent the following:

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	2016 HK$'000	2015 HK$'000
Depreciation allowances	**84,829**	–	**(39,708)**	(43,895)
Revaluation of properties	**–**	–	**(125,543)**	(140,664)
Fair value adjustments arising from acquisition of subsidiaries	**–**	–	**–**	(21,416)
Loss of control of a subsidiary	**–**	–	**–**	(3,742)
Withholding tax on distributable profits of PRC subsidiaries	**–**	–	**–**	(16,716)
Allowance for impairment of trade and other receivables	**35,224**	–	**–**	–
Others	**14,268**	–	**–**	–
Deferred tax assets (liabilities)	**134,321**	–	**(165,251)**	(226,433)
Offsetting	**(134,321)**	–	**134,321**	–
Net deferred tax assets (liabilities)	**–**	–	**(30,390)**	(226,433)

29. DEFERRED TAXATION *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. At 31 December 2016, deferred tax of HK$Nil (2015: HK$16,716,000) 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.

Unrecognised deferred tax assets arising from

	2016	2015
	HK$'000	*HK$'000*
Deductible temporary differences	**5,249,738**	—
Tax losses	**9,141,582**	8,670,701
At the end of the reporting period	**14,391,320**	8,670,701

Deductible temporary differences do not expire under current tax legislations. Accumulated tax losses arising in Hong Kong and Germany of approximately HK$600,049,000 (2015: HK$556,516,000) in aggregate that are available for offsetting against future taxable profits of the companies from which the losses arose do not expire under current tax legislation. Accumulated tax losses arising in the PRC subsidiaries of approximately HK$8,541,533,000 (2015: HK$8,114,185,000) which are available for offsetting against future taxable profits of these subsidiaries in one to five years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

30. CONVERTIBLE BONDS

This represents convertible bonds in aggregate principal amount of HK$1,086,279,565 issued to and subscribed by Modern Agricultural (the "Convertible Bonds"). The Convertible Bonds may be converted into 4,722,954,631 conversion shares of the Company (the "Shares") based on the initial conversion price of HK$0.23 (subject to adjustment) per share (the "Initial Conversion Price") upon full conversion. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Under the Subscription Agreement, Modern Agricultural shall have the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into the Shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date days before (and excluding) the Maturity Date, provided that the public float of the Shares shall not be less than 25% as required by the Listing Rules.

30. CONVERTIBLE BONDS *(Continued)*

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bonds reserve of the Company and the Group. The liability component of the convertible bonds is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The carrying amounts of above-mentioned convertible bonds recognised at the end of the reporting period were calculated as follows:

	2016	2015
	HK$'000	*HK$'000*
Equity component		
Fair value of the entire convertible bonds, at the date of issuance	**1,086,280**	1,086,280
Fair value of the liability component, at the date of issuance	**(795,695)**	(795,695)
Value of the equity component, at the date of issuance and at end of the reporting period	**290,585**	290,585
Liability component		
Liability component at beginning of the year	**806,091**	—
Fair value of the liability component, at the date of issuance	**—**	795,695
Effective imputed interest charged	**51,823**	10,396
At the end of the reporting period	**857,914**	806,091

31. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each	Nominal value *HK$'000*
Authorised:		
At 31 December 2014 and 1 January 2015	10,000,000,000	1,000,000
Increase in authorised capital	10,000,000,000	1,000,000
At 31 December 2015, 1 January 2016 and 31 December 2016	**20,000,000,000**	**2,000,000**
Issued and fully paid:		
At 1 January 2015	3,263,489,164	326,349
New shares issued	3,135,509,196	313,551
At 31 December 2015, 1 January 2016 and 31 December 2016	**6,398,998,360**	**639,900**

At the extraordinary general meeting held on 8 October 2015, an ordinary resolution was passed for the increase of authorised share capital of the Company to HK$2,000,000,000 by creating 10,000,000,000 new shares at HK$0.1 each. On 15 October 2015, the issued share capital of the Company was increased to HK$639,900,000 by allotting 3,135,509,196 ordinary shares of HK$0.1 each, for cash, to provide for additional working capital. These shares rank pari passu with the existing shares in all respects.

32. SHARE OPTION SCHEMES

(a) Share option scheme of the Company

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 3 September 2007, 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 on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the shares in issue on 3 September 2007 (the "General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the shares in issue as at the date of the shareholders' approval. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the shares in issue from time to time.

32. SHARE OPTION SCHEMES *(Continued)*

(a) Share option scheme of the Company *(Continued)*

The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting (with such participant and his associates abstaining from voting).

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive directors (excluding independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder 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 shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, 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 determined by the board, which period may commence from the date of acceptance of the offer 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 subscription price for the shares under the Scheme will be a price determined by the directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

32. SHARE OPTION SCHEMES *(Continued)*

(a) Share option scheme of the Company *(Continued)*

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

	2016		2015	
	Weighted average exercise price per share ***HK$***	**Number of options** ***'000***	Weighted average exercise price per share *HK$*	Number of options *'000*
At 1 January	**1.24**	**3,100**	1.24	3,100
Lapsed during the Year		**(3,100)**		—
At 31 December	**1.24**	**—**	1.24	3,100

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	Grant date	**Closing price immediately preceding the grant date** *HK$*	**Exercise price** *HK$*	**Number of options** *'000*
2016				
Exercisable period				
N/A	**N/A**	**N/A**	**N/A**	**—**
2015				
Exercisable period				
21.1.2011 to 20.1.2016	21.1.2011	1.24	1.24	3,100

(b) Share option scheme of GSH

Details of the share option scheme of GSH and its movements during the year are included in the annual report of GSH for the year ended 31 December 2016, which is published on the GSH's website: www.global-sweeteners.com and set out in the Report of the Directors on pages 52 to 54 of this annual report.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 72 to 73 of the annual report.

(i) Share premium

The share premium of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation for the public listing of GSH's shares on the Main Board of the Stock Exchange in prior years, and the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from the capitalisation issue in prior years; and (iii) the premium arising from the placing and subscriptions of new ordinary shares in the current and prior years.

(ii) Assets revaluation reserve

This reserve comprises all revaluation surplus net of tax in respect of leasehold buildings and is dealt with in accordance with the accounting policy as set out in note 2.

(iii) Convertible bonds reserve

This represents the equity component (conversion right) of the Convertible Bonds issued (note 30).

(iv) Statutory reserve

Certain subsidiaries, which are established in the PRC as wholly-foreign-owned or Sino—foreign enterprises, 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 the reserve reaches 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

(v) Exchange reserve

This comprises all foreign exchange differences arising from the translation of financial statements of foreign operations, which is dealt with in accordance with the accounting policy as set out in note 2.

34. CONTINGENT LIABILITIES

During the year, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") were involved in certain litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. (the "Plaintiffs") against the Relevant Group Members.

Alleged infringement of EP 1.664.318 (entitled "L-amino acid-producing microorganism and method for producing L-amino acid") ("EP '318")

As disclosed in the Company's announcement dated 18 September 2014, the Relevant Group Members received a judgment dated 10 September 2014 whereby the Court has rejected all the Plaintiffs' claims in respect of an alleged infringement of EP '318 by the Relevant Group Members and has allowed part of the counterclaim made by the Relevant Group Members.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiffs are rejected and the Plaintiffs are ordered to pay the legal costs of the Relevant Group Members amounted to EUR 90,387.05 which payment is immediately enforceable. The Court has also allowed part of the counterclaim made by the Relevant Group Members whereby part of the subject matter of the relevant patent is nullified and the Plaintiff and the Relevant Group Members shall bear their own legal costs in respect of the counterclaim. The Plaintiffs have made an appeal to the Court of Appeal in respect of the judgment.

On 29 April 2016, the Company received the judgment of the Court of Appeal of The Hague in the above matter, in which the first instance judgment is overturned. According to the judgment, among the alleged claims, only one of the Group Members was ruled to have infringed the EP '318 patent in the Netherlands. The relevant Group Member were requested to pay for the Plaintiffs' legal cost and to comply with the court orders, which include: (i) injunction – to cease the infringement of claims 15 and 17 of the Dutch part of EP '318; (ii) surrender of infringing products – within 14 days after service of the judgment; (iii) recall letter – to be circulated to customers to which the infringing products were sold within 14 days after service of the judgment; and (iv) provision of information – to provide the relevant financial information of the infringing products within 30 days after service of the judgment drawn-up by an independent accountant as basis for the calculation of damages. With regard to (i) and (ii), since the relevant Group Member has ceased its sales function and therefore no action needs to be taken. After the initial assessment of the plausible financial impact of the judgment, the management is of the view that appealing is not in the best interest of the Company, considering the time and cost involved in the appealing action. As such, the Company has decided not to appeal to the judgment of the Court of Appeal of The Hague in the above matter. Consequently, the relevant Group Member has acted in accordance with the court orders, pending on the final decision of the damage amount by the Court.

Considering the litigations in relation to patent infringement have lingered for years, the Company is intended to settle these litigation cases as soon as possible and to concentrate efforts and resources in the business development of the Group, rather than continuously putting in resources in these litigations. The Company will keep its shareholders informed of the latest development of the litigations and further announcement(s) will be made upon any updates whenever necessary.

34. CONTINGENT LIABILITIES *(Continued)*

Litigation relating to the delay of payment to suppliers in Mainland China

During the current year, due to the short of working capital, the Group delayed to settle the trade payables to suppliers, and several subsidiaries in Mainland China have been involved in litigations in Mainland China initiated by various suppliers related to overdue trade payables. Up to the date of this report, majority of litigations are already concluded by the court or settled, while some of the litigations are still pending for the judgment. Since the Group already recorded all these trades payable in the financial statements as at 31 December 2016, the directors are of the view that the litigations have no significant impact on the Group's financial statements for the year ended 31 December 2016.

Financial guarantee contracts

Since November 2010, several subsidiaries established in Mainland China entered into financial guarantee contracts with Bank of China ("BOC") and Agricultural Bank of China ("ABC") for the benefit of Dajincang in respect of its certain bank borrowings. The maximum guaranteed amounts were RMB3 billion at 31 December 2010, 2011 and 2012, RMB3.35 billion as at 31 December 2013, RMB2.85 billion as at 31 December 2014, RMB2.85 billion as at 31 December 2015 and RMB2.5 billion as at 31 December 2016. These financial guarantee contracts were not disclosed as contingent liabilities in the consolidated financial statements in previous years, and were not recognised in the consolidated financial statements as at 31 December 2016 and in previous years. Please refer to the Company's announcement dated 6 September 2016 for details of the financial guarantee contracts.

At 31 December 2016, the banking facilities granted to subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$5,803,893,000 (2015: HK$6,335,473,000).

Equipment leasing

Reference is made to the interim report of the Company for the six months ended 30 June 2016. On 5 August 2015, the management was notified that a subsidiary of the Company, Changchun GBT Bio-Chemical Co., Ltd. had entered into an equipment leasing agreement (the "Lease") with the Finance Bureau of Changchun for the lease of certain machineries and equipment on 30 December 2014, the terms of the lease are 20 years with the total lease fee amounted to approximately RMB672 million. The aforesaid assets are related to those assets with the resumption amount of RMB560 million mentioned in announcement on 7 May 2014 "Major transaction in relation to resumption of buildings, machineries and fixtures". The Group has not assessed and recognised the Lease in its financial statements for the year ended 31 December 2014.

The Lease had been unilaterally terminated by GBT Bio-Chemical on 15 March 2016. Taken into account the PRC legal advice sought by the Board and the ongoing communication with the Finance Bureau of Changchun in relation to the termination of Lease, the board considers that the chance of litigation is remote. As of the date of this report, no assessment has been made on the possible damages for the termination of the Lease.

Save as disclosed above, there was no litigation or claims of material importance pending or threatened against the Group as at the date of this report.

35. CAPITAL EXPENDITURE COMMITMENTS

	2016 HK$'000	2015 HK$'000
Contracted but not provided for acquisition of:		
Production facilities and buildings	**310,496**	501,315

36. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

Related party relationship	Nature of transaction	2016 HK$'000	2015 HK$'000
Key management personnel	Short term employee benefits	**7,121**	1,045
	Post-employment benefits	**36**	7
		7,157	1,052

(b) Balances with related parties

At the end of the reporting period, the Group's balances due from/to related parties were as follows:

	2016 HK$'000	2015 HK$'000
Due from an associate	**20,388**	23,104
Due to a related party	**—**	148

The short term balances with the associate and related party are unsecured, interest-free and have no fixed terms of repayment. The balances approximate to their fair values.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Assets at fair value through profit or loss		Loans and receivables at amortised costs		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills receivables	**–**	–	**424,002**	298,199	**424,002**	298,199
Deposits and other receivables	**–**	–	**717,037**	961,781	**717,037**	961,781
Due from an associate	**–**	–	**20,388**	23,104	**20,388**	23,104
Equity investments at fair value through profit or loss	**–**	33,300	**–**	–	**–**	33,300
Pledged deposits	**–**	–	**53,568**	47,003	**53,568**	47,003
Cash and cash equivalents	**–**	–	**896,487**	1,567,426	**896,487**	1,567,426
	–	33,300	**2,111,482**	2,897,513	**2,111,482**	2,930,813

	Liabilities at amortised costs and Total	
	2016	2015
	HK$'000	*HK$'000*
Financial liabilities		
Trade and bills payables	**1,543,439**	1,505,592
Other payables and accruals	**1,021,862**	1,456,698
Interest-bearing bank and other borrowings	**7,632,448**	8,156,878
Convertible bonds – liabilities portion	**857,914**	806,091
	11,055,663	11,925,259

38. FAIR VALUE MEASUREMENTS

The Group measures certain of its property, plant and equipment and financial instruments 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 economic best 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.

All assets and liabilities for which fair value is measured or disclosed in the 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

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 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.

Assets measured at fair value

	Level 2 *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
2016			
Leasehold buildings	**—**	**4,564,291**	**4,564,291**
2015			
Equity investments at fair value through profit or loss	33,300	—	33,300
Leasehold buildings	—	4,019,397	4,019,397
	33,300	4,019,397	4,052,697

38. FAIR VALUE MEASUREMENTS *(Continued)*

During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements (2015: HK$Nil), and no transfers into and out of Level 3 fair value measurements (2015: HK$Nil).

Description of the valuation techniques and inputs used in Level 2 fair value measurement

The valuation technique used to determine the fair value of the insurance products included in equity investments at fair value through profit or loss is the discounting cash flow based methodologies which is the estimated amount that the Group would receive or pay to terminate the insurance policies at the end of reporting period, taking into account observable interest rates.

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

Leasehold buildings

The Group's leasehold buildings with useful lives of the shorter of the lease terms and 50 years were stated at the most recent valuation less accumulated depreciation and impairment.

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.

The Group's leasehold buildings brought forward from 2015 were revalued individually at 31 December 2015 by Savills Valuation and Professional Services Limited, independent professional qualified valuers, at an aggregate open market value of HK$4,019,397,000 based on their existing use. A deficit on revaluation approximately HK$5,834,000 after income tax effect arisen was charged to asset revaluation reserve during the year ended 31 December 2015.

As disclosed in note 17 to the consolidated financial statements, the Group's leasehold buildings located in Lu Yuan 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$952,655,000 at 31 March 2016. A loss on revaluation before income tax effect of the Changchun Buildings of HK$141,214,000 was arisen, of which HK$120,581,000 and HK$20,633,000 have been charged to profit or loss and asset revaluation reserve respectively for the year ended 31 December 2016.

In the opinion of the directors, as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2016, no revaluation has been performed as at that date.

38. FAIR VALUE MEASUREMENTS *(Continued)*

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement *(Continued)*

Leasehold buildings *(Continued)*

	2016	2015
	HK$'000	*HK$'000*
Carrying about at 1 January 2016	**4,019,397**	5,504,426
Additions	**376**	81,874
Reclassified from held for sale	**1,086,788**	(1,154,856)
Disposals	**—**	(12,112)
Revaluation	**(20,633)**	(7,117)
Depreciation for the year	**(162,370)**	(158,105)
Impairment	**(120,581)**	—
Exchange realignment	**(238,686)**	(234,713)
At the end of the reporting period	**4,564,291**	4,019,397

Below is a summary of the valuation technique used and the key inputs to the valuation of buildings:

Valuation technique	**Significant unobservable inputs**	**Industrial properties**	**Residential properties**
DRC approach	a. Construction cost (RMB/sq.m.)	a. 550 to 7,000	a. 550 to 5,500
	b. Administrative expense rate	b. 3% to 10%	b. 3%
	c. Developer's profit margin	c. 8% to 10%	c. 8% to 10%
	d. Interest rate	d. 4.275% to 8.9%	d. 6% to 6.15%
	e. Rate of newness	e. 40% to 93%	e. 60% to 95%

The Group has determined that the highest and best use of the buildings at the measurement date would be to continue use as industrial building. 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 and structures from which deductions are then made to allow for physical deterioration, functional obsolescence and economic obsolescence. A significant increase (decrease) in the estimated growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the leasehold building. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the leasehold building.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include trade and bills receivables, deposit and other receivables, amounts due from an associate, equity investments at fair value through profit or loss, pledged deposits and cash and cash equivalents. Financial liabilities of the Group include trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings and convertible bonds.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for hedging or 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 the Group's long term debt obligations with floating interest rates. 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 flows of the operations and the debt markets, where the Group would expect to refinance these borrowings with a lower cost of debt, when considered appropriate.

At the end of the reporting period, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's loss before tax would increase/decrease by HK$59,812,000 (2015: HK$59,634,000). The Group's sensitivity to interest rates has decreased during the year mainly due to the reduction in variable rate debt instruments.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2015.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third 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 and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The Group's other financial assets comprise trade and bills receivables, financial assets included in prepayments, deposits and other receivables, amounts due from an associate, pledged deposits and cash and cash equivalents. Credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 34 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables, and financial assets included in prepayments, deposits and other receivables are disclosed in notes 21 and 22 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents or to have 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 financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2016						
Trade and bills payables	**1,112,724**	**185,510**	**245,205**	**–**	**–**	**1,543,439**
Other payables and accruals	**1,017,862**	**4,000**	**–**	**–**	**–**	**1,021,862**
Interest-bearing bank and other borrowings	**19,338**	**660,249**	**3,012,237**	**4,388,098**	**–**	**8,079,922**
Convertible bonds	**–**	**–**	**–**	**1,086,280**	**–**	**1,086,280**
	2,149,924	**849,759**	**3,257,442**	**5,474,378**	**–**	**11,731,503**
2015						
Trade and bills payables	1,505,592	–	–	–	–	1,505,592
Other payables and accruals	1,456,698	–	–	–	–	1,456,698
Interest-bearing bank and other borrowings	23,888	2,332,634	2,235,713	3,558,929	5,714	8,156,878
Convertible bonds	–	–	–	1,086,280	–	1,086,280
	2,986,178	2,332,634	2,235,713	4,645,209	5,714	12,205,448

Note:

Included in interest-bearing bank and other borrowings of the Group are term loans in the amount of HK$19,338,000 (2015: HK$23,888,000). Each of the loan agreements contains a repayment on-demand clause giving the bank the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 years ended 31 December 2016 and 2015.

40. LITIGATION

Infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710") and the previous judgment concerning EP '710, and EP 0.733.712 (entitled "Process for Producing Substance") ("EP '712"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

As disclosed in the Company's announcement dated 7 August 2015, the relevant courts in the Netherlands ruled that the Relevant Group Members had infringed three European patents, namely EP 0.733.710 (entitled "Process for Producing L-Lysine by Fermentation"), EP 0.733.712 (entitled "Process for Producing a Substance"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine"), registered in the name of the Plaintiffs by virtue of the offer for sale, import, and/or trading of the Relevant Group Members' L-lysine products in the Netherlands.

The Relevant Group Members had received a demand from the legal advisers of the Plaintiffs for damages of over EUR 2.2 million (the "Claimed Damages") in respect of the infringement. After seeking legal advice from the Netherlands legal advisers, the Relevant Group Members believe that they have grounds to challenge the basis of calculation of the Claimed Damages. Therefore, the Claimed Damages was not settled by the Relevant Group Members. It was expected that the Plaintiffs would initiate damages assessment proceedings for assessment of the Claimed Damages. The Plaintiffs have submitted the writ of summons regarding the follow-up proceedings damages assessment to the Court in the Hague, the Netherlands in March 2016. A hearing is scheduled to be held in May 2017.

Apart from those disclosed in the consolidated financial statements, the Relevant Group Members are also involved in other matters of litigations. Certain of the litigations have been settled and some of the litigations are pending for the outcome of the judgement. Management has estimated that these pending litigations would not give rise to significant financial liabilities to the Group.

41. EVENTS AFTER THE REPORTING PERIOD

Termination of disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools by the Group and the GSH Group

Reference is made to the joint announcement of the Company and GSH dated 14 April 2016 (the "April Announcement") and the circulars of GBT and GSH dated 3 June 2016 in respect of the very substantial disposal transactions for the disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools.

On 2 March 2017, the respective parties to the Property Disposal Agreements and the Asset Disposal Agreements (as defined in the April Announcement) entered into termination agreements (the "Termination Agreements") to terminate the Property Disposal Agreements and the Asset Disposal Agreements. Pursuant to the Termination Agreements, the Property Disposal Agreements and the Asset Disposal Agreements were terminated with effect from 2 March 2017 and the rights and obligations of the respective parties under the Property Disposal Agreements and the Asset Disposal Agreements were mutually released.

Following the approval of the very substantial disposal transactions by the GBT shareholders and GSH shareholders at the extraordinary general meetings held respectively by GBT and GSH, the relevant members of the GBT Group and GSH Group have been actively working with the Former Purchaser in relation to the fulfillment of the conditions precedent and completion arrangement of the Transaction. However, notwithstanding the effort made by the GBT Group and GSH Group, certain conditions precedent as contemplated under the Property Disposal Agreements are yet to be fulfilled. In December 2016, the Former Purchaser proposed to terminate the Property Disposal Agreements based on the alleged non-fulfillment of conditions precedent. On the other hand, although all conditions precedent under the Asset Disposal Agreements have been fulfilled and the completion of the Asset Disposal Agreements are not conditional upon the completion of the Property Disposal Agreements, the Former Purchaser also proposed to terminate the Asset Disposal Agreements.

The GBT Group and the GSH Group have sought PRC legal advice of their rights under the Property Disposal Agreements and the Asset Disposal Agreements and were advised that if the GBT Group and the GSH 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 GBT Group and the GSH Group, the GBT Board and the GSH Board consider that it is in the economic interest of the GBT Group and the GSH 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 Agreements and the Asset Disposal Agreements would also enable the GBT Group and GSH Group to explore other means to dispose of the Relevant Properties and the Relevant Assets as early as possible, therefore, the relevant members of the GBT Group and the GSH Group have agreed to terminate the Property Disposal Agreements and the Asset Disposal Agreements.

41. EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW *(Continued)*

Change in shareholding structure of major shareholder

Reference is made to the announcement of the Company dated 2 March 2017 in relation to the change in shareholding structure of major shareholder. The Board been informed by Jiaotou that pursuant to a notice issued by The Office of the State Owned Enterprises Reform Leadership Group of Jilin Province dated 12 July 2016, a restructuring proposal was approved whereby the investment by Jiaotou in the Company shall be injected into Jilin Agricultural Investment Group Co., Ltd. ("Nongtou", a company established in the PRC which is controlled by State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province for the purpose of, among others, consolidating the State-owned investment in the agricultural sector in Jilin Province of the PRC. Pursuant to the restructuring, Nongtou will take up the shareholding interests of the Company's intermediate holding company from Jiaotou and Jilin Changjitu Investment Co., Ltd., a subsidiary of Jiaotou. Under the above agreement, the parties shall immediately proceed with the filing of the above transfers with the relevant industry and commerce bureau in the PRC. During the transition period from the date of the agreement to the completion of such filing, Nongtou shall manage the above transferred interest on behalf of Jiaotou and Changjitu. As such, by virtue of Nongtou's control over PRC LLP, Nougtou has become the indirect controlling shareholder of the Company.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves is set out below:

	2016 HK$'000	2015 HK$'000
Non-current assets		
Investments in subsidiaries *(note 18)*	–	–
Due from subsidiaries	–	–
	–	–
Current assets		
Other receivables	541	543
Cash and cash equivalents	299,661	1,258,313
	300,202	1,258,856
Current liabilities		
Other payables and accruals	4,559	12,207
Net current assets	295,643	1,246,649
Total assets less current liabilities	295,643	1,246,649
Non-current liabilities		
Financial guarantee contracts	1,040,936	1,235,685
Convertible bonds	857,914	806,091
	1,898,850	2,041,776
NET LIABILITIES	(1,603,207)	(795,127)
Capital and reserves		
Share capital	639,900	639,900
Reserves	(2,243,107)	(1,435,027)
TOTAL DEFICIT	(1,603,207)	(795,127)

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

Chairman
Yuan Weisen

Director
Zhang Zihua

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movements of the reserves of the Company

	Share premium	Share option reserve	Convertible bonds reserve	Retained profits/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015	2,719,588	792	–	468,738	3,189,118
Loss for the year and Total comprehensive loss for the year	–	–	–	(5,322,346)	(5,322,346)
Transaction with owners					
Contributions and distributions					
Issue of share capital	407,616	–	–	–	407,616
Issue of convertible bonds	–	–	290,585	–	290,585
At 31 December 2015 and 1 January 2016	3,127,204	792	290,585	(4,853,608)	(1,435,027)
Loss for the year and Total comprehensive loss for the year	–	–	–	(808,080)	(808,080)
Transaction with owners					
Contributions and distributions					
Equity-settled share option arrangement	–	(792)	–	792	–
At 31 December 2016	**3,127,204**	**–**	**290,585**	**(5,660,896)**	**(2,243,107)**

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 from the published audited financial statements, is set out below.

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	(restated)	(restated)
RESULTS					
REVENUE	**3,882,840**	3,352,003	6,399,205	9,686,643	11,908,082
Cost of sales	**(3,567,018)**	(3,610,572)	(7,288,927)	(10,587,530)	(10,376,091)
Gross profit/(loss)	**315,822**	(258,569)	(889,722)	(900,887)	1,531,991
Other income and gains	**187,116**	138,529	432,346	590,287	109,475
Selling and distribution expenses	**(296,578)**	(177,468)	(551,339)	(762,459)	(770,380)
Administrative expenses	**(347,562)**	(383,037)	(405,464)	(717,477)	(458,799)
Other expenses	**(1,500,062)**	(1,068,660)	(1,664,116)	(3,520,221)	(367,371)
Finance costs	**(441,118)**	(515,873)	(628,318)	(673,399)	(585,295)
Share of losses of joint ventures	**–**	–	–	–	(1,324)
Share of losses of associates	**–**	–	–	(27,899)	(9,346)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(2,082,382)**	(2,265,078)	(3,706,613)	(6,012,055)	(551,049)
Income tax credit/(expense)	**170,096**	(5,461)	(58,067)	(222,584)	(11,062)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(1,912,286)**	(2,270,539)	(3,764,680)	(6,234,639)	(562,111)
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	–	–	(5,397)	(119,819)
LOSS FOR THE YEAR	**(1,912,286)**	(2,270,539)	(3,764,680)	(6,240,036)	(681,930)
Loss attributable to:					
Owners of the parent	**(1,850,640)**	(1,995,970)	(3,365,133)	(6,078,859)	(552,270)
Non-controlling interests	**(61,646)**	(274,569)	(399,547)	(161,177)	(129,660)
	(1,912,286)	(2,270,539)	(3,764,680)	(6,240,036)	(681,930)
TOTAL ASSETS	**9,833,188**	12,579,801	13,756,393	18,784,740	22,934,334
TOTAL LIABILITIES	**(11,637,255)**	(12,555,725)	(12,505,678)	(13,703,262)	(11,711,826)
NON-CONTROLLING INTERESTS	**(714)**	(171,560)	(435,584)	(842,270)	(1,568,007)
	(1,804,781)	(147,484)	815,131	4,239,208	9,654,501