大成糖業控股有限公司*
GLOBAL Sweeteners Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03889

2020 Annual Report

* For identification purpose only

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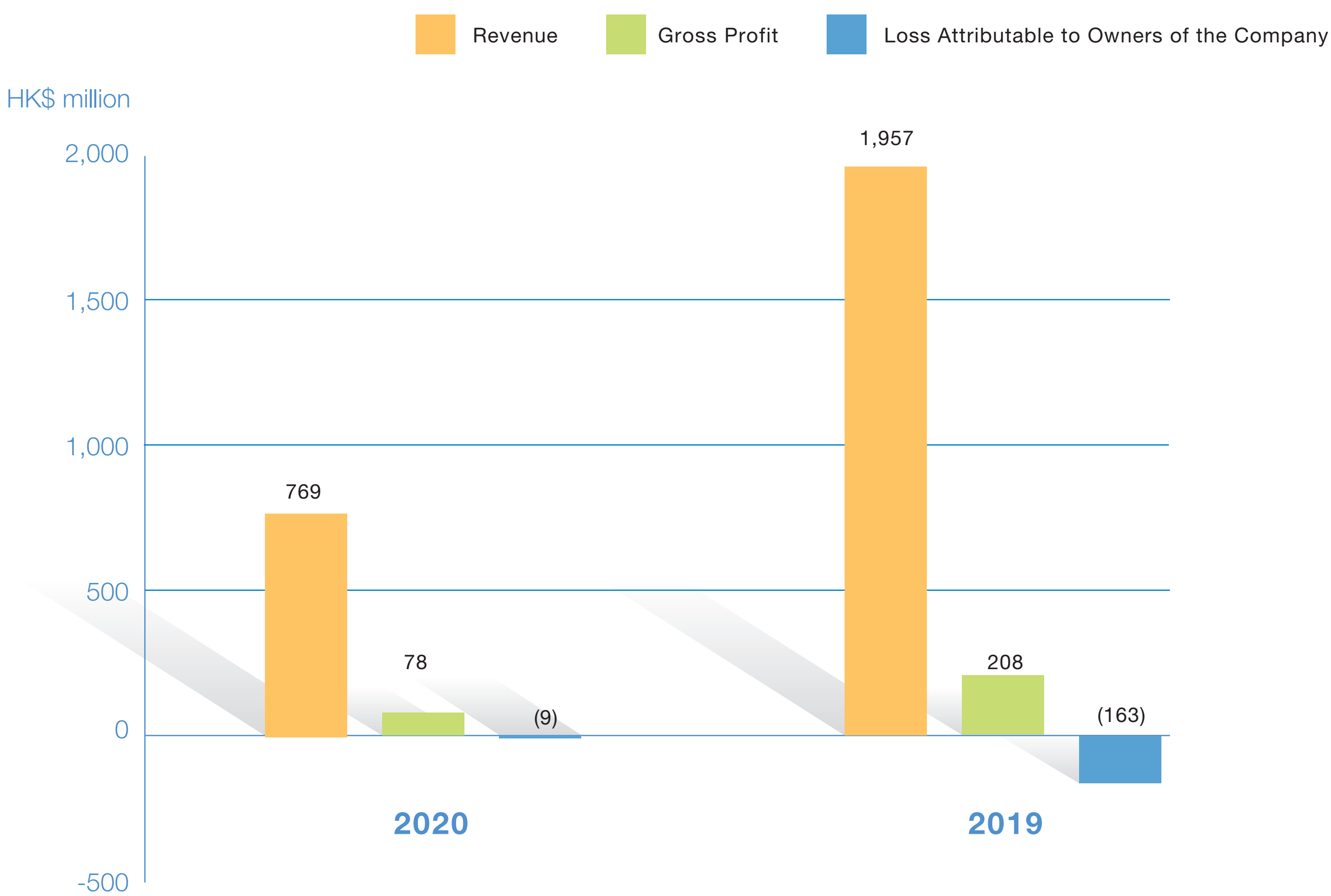
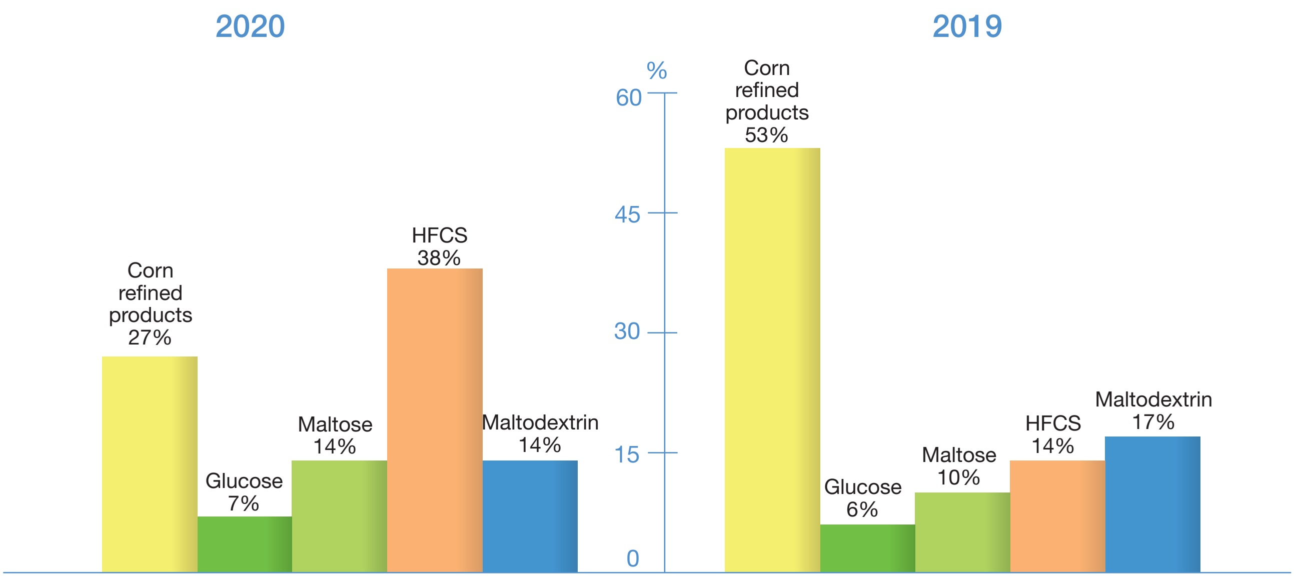
FINANCIAL HIGHLIGHTS

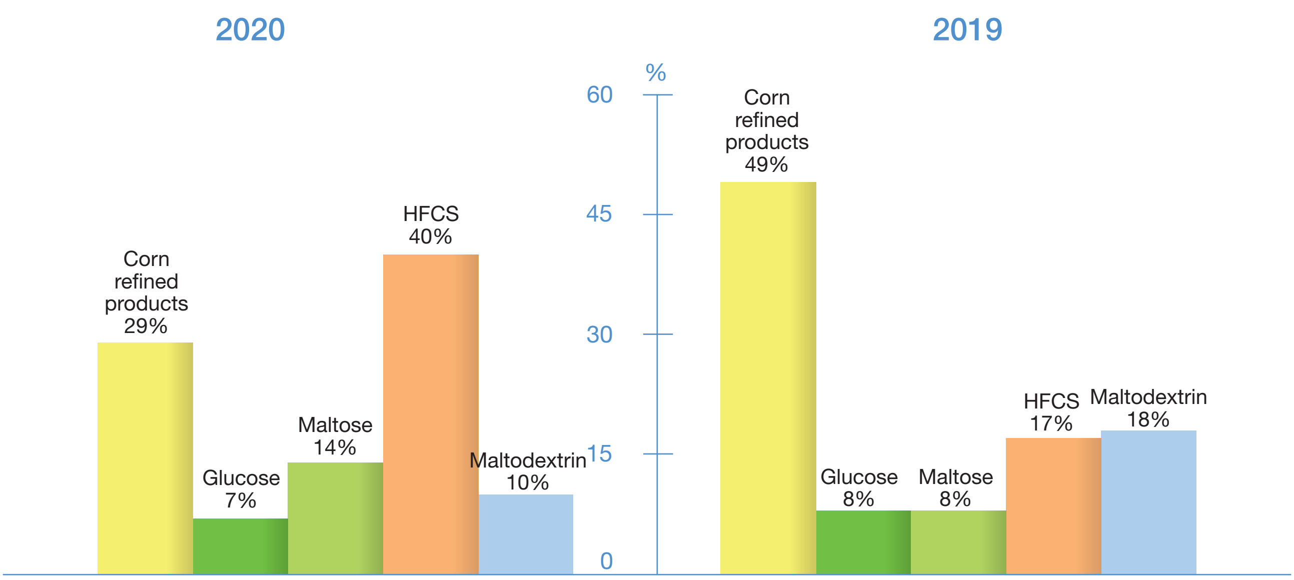
	2020	2019	Change %
Revenue (HK$'Mn)	**769.0**	1,956.8	(60.7)
Gross profit (HK$'Mn)	**77.9**	207.6	(62.5)
Loss for the year (HK$'Mn)	**(8.7)**	(162.6)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(8.7)**	(162.6)	N/A
Basic loss per share (HK cents)	**(0.6)**	(10.6)	N/A
Proposed final dividend per share (HK cents)	**—**	—	N/A



REVENUE DISTRIBUTION



GROSS PROFIT DISTRIBUTION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Zihua *(Acting Chairman)*
Mr. Tai Shubin *(Appointed on 17 December 2020)*

Independent non-executive Directors

Mr. Fan Yeran *(Appointed on 22 July 2020)*
Mr. Fong Wai Ho
Mr. Lo Kwing Yu
Mr. Wen Xia *(Resigned on 22 July 2020)*

COMPANY SECRETARY

Mr. Chan Sing Fai, ACG, ACS, 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

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AUDITOR

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Certified Public Accountants
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Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

www.global-sweeteners.com

STOCK CODE

03889

Dear Shareholders,

In 2020, the COVID-19 pandemic raged around the world, severely impacting economic activities worldwide. In China, as the pandemic was brought under control in the second quarter, domestic economy began to recover in a steady pace. Meanwhile, the pandemic situations overseas were still unstable, causing logistics and traffic disruptions and affecting the supply chains of multiple industries to different degrees, hampering the pace of recovery. Apart from facing an operating environment with slow global economic growth and weak domestic demand, the Group was also under pressure from its tight liquidity and heavy financial burdens. During the year under review, the Group continued to suspend the operation of its production facilities in Changchun and Jinzhou to minimise operating cash outflow. At the same time, the Group continued to focus on pushing ahead with the debt restructuring plans and the land resumption in Luyuan District in order to improve the overall financial condition of the Group. The first phase of debt restructuring was completed at the end of March 2021, and the financial guarantee obligations that had been plaguing the Group for years have been discharged.

BUSINESS REVIEW

China is the world's major corn producer, consumer and exporter. During the year under review, the impact of typhoons had led to the drop in corn production in the northeast part of China. In addition, as the pandemic continued, grain traders in China had been building up their stockpiles over concerns on food security, while farmers and traders were reluctant to sell corn; as a result, domestic corn price remained at high levels throughout the year under review. As corn is the major raw material for the Group's production, high corn price had caused a substantial increase in production costs. Affected by the pandemic, the Group's upstream products faced weak demand and fierce competition, making it not profitable for the Group to carry out production, not to mention that continuing the production operation would further tighten the Group's cash flow. As such, the Group has suspended the production of its upstream products since the second quarter of 2020.

During the year under review, due to the significant decrease in sugar production in Thailand, the world's second largest sugar producing country, international sugar supply tightened up, driving up the international sugar price. In China, in response to the continued pandemic and food security concerns, China's extra tariff on out-of-quota sugar imports have been reduced from 85% to 50% starting from May 2020, resulting in a sharp increase in imported sugar and a decline in domestic sugar prices. On the other hand, as a number of large-scale manufacturers in the Huadong area had extended their industrial chain upstream to produce their own sweeteners, the sweeteners market shrank further. As such, the Group concentrated its resources on the production base in Shanghai during the year under review to strive for better operating efficiency.

The pressure brought by market competition and rising costs were not the only challenges faced by the Group. Over the past few years, the Group has been under the burden of heavy debts and huge financial expenses. Resolving the problem of the Group's tight finance is the key to put the Group's business back on track to its healthy development. After years of dedicated efforts of the management teams of the Company and Global Bio-chem Technology Group Company Limited ("**GBT**", together with its subsidiaries, the "**GBT Group**"), the debt restructuring plan has achieved major progress. During the year under review, one of the Group's lending banks, 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*), has transferred all the rights and benefits of the loans of the Group, the GBT Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") (the "**BOC Transferred Loans**") to 中國信達資產管理股份有限公司吉林省分公司 (The Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**China Cinda**"). In January 2021, the Group was notified that China Cinda had transferred the BOC Transferred Loans to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"), a company controlled by the Changchun Municipal Government. In March 2021, each of the Group, the GBT Group and Dajincang entered into a repurchase agreement with Changchun Rudder, to repurchase their respective portions of the BOC Transferred Loans. The consideration for the repurchase of the portion of the BOC Transferred Loans owed by the Group will be financed by the proceeds from the compensation for the resumption of its land and buildings in Luyuan District of Changchun City. Upon the completion of the repurchase agreement entered into between Dajincang and Changchun Rudder on 31 March 2021, all the obligations of the related subsidiaries of the Group and the GBT Group acting as guarantors under the financial guarantee contracts have been discharged, marking an important milestone for the Group in improving its financial position.

During the year under review, the Group actively cooperated with the government in the resumption of properties in Luyuan District. At the end of September 2020, 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), a subsidiary of the Company, entered into a compensation agreement with the government for the resumption of the properties owned by Dihao Foodstuff in Luyuan District. Dihao Foodstuff shall receive a total compensation of approximately RMB443.0 million for the properties resumption, and the entire amount has been received at the end of March 2021. The proceeds will help increase the Group's working capital and provide the necessary financial support for the Group's partial resumption of production at an appropriate time in the future.

OUTLOOK

There are obvious signs of economic recovery in China. China achieved a GDP growth rate of approximately 2.3% in 2020, making the country the only major economy in the world to post a positive growth under the pandemic. To speed up the economic recovery, the central and local governments have introduced various policies to stimulate the economy and employment, which have shown to be effective.

Looking into 2021, the global economy will continue to be affected by the pandemic. As countries around the world started rolling out the COVID-19 vaccines and the pandemic condition is expected to be eased, the global economy is expected to gradually return to normal in the third quarter. However, international relations are still complex and volatile, which will pose uncertainties for domestic consumer demand and international trade.

The domestic livestock industry has begun to gradually recover, and a number of large-scale farms will also start operation. Corn is the main raw material for feed and feed processing for the livestock industry. It is expected that the strong demand for corn in the market will continue to support corn price. Corn price is expected to remain high in 2021, while domestic sugar price will continue to be weak and continue to pose pressure on the sweetener prices.

Based on the above factors, the Group will closely monitor the market dynamics and the trend of raw material costs, and carefully evaluate the feasibility of partial resumption of upstream and downstream production.

To improve the Group's financial structure, we will continue to work with the government on the resumption of land in Luyuan District, striving to accelerating the progress of the resumption of the remaining part of the properties and the debt restructuring plans with other lending banks, in order to increase the cash in hand and improve the financial position of the Group. The Group is also committed to introducing strategic investment partners and seeking breakthroughs in business layout, product and market diversification. Upon the partial resumption of operation of the Group's production facilities in Xinglongshan, the Group will be able to leverage on the technological advantages of the production base to deepen product research and development and improve production processes to achieve greater competitive edge.

I would like to express my heartfelt thanks to all the shareholders and business partners for their firm support to the Group and trust in the board of directors and management team in the extraordinary year of 2020. At the same time, I would like to thank staff at all levels of the Group for their outstanding professionalism and diligent performance admist adversity.

Acting Chairman
Zhang Zihua

31 March 2021

Global Sweeteners Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") are principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (which includes glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (which includes maltodextrin).

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 2020 (the "**Year**"), the coronavirus disease ("**COVID-19**") pandemic continued to put pressure on the global economic environment. Suspension of business operations, disrupted supply chains and stringent lockdown measures in the first quarter of the Year have led to stagnant demand and significant economic slowdown. As a result, the gross domestic product of the People's Republic of China (the "**PRC**" or "**China**") shrank by 6.8% for the first quarter of 2020, which was the first decline since 1992. Starting from the second quarter of the Year, China's economy slowly recovered and recorded a growth rate of 2.3% for the full year. Nevertheless, the growth rate was far below the initial estimates before the outbreak of COVID-19. The operating environment of the Group remained challenging throughout the Year.

As disclosed in the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**"), the lockdown in the PRC in the first quarter of 2020 significantly lowered the demand for feed products. In addition, competition in the PRC sweeteners market intensified as market shrank. The situation escalated as the extra tariff on out-of-quota sugar imports expired in May 2020. Sugar imports in China surged from 3.39 million metric tonnes ("**MT**") in 2019 to 4.35 million MT in 2020 as a result. In light of the challenging operating environment, the Group has suspended the operations of most of its production facilities in the PRC during the Year. For details of the suspensions, please refer to the Company's announcements dated 24 September 2019, 10 February 2020 and 29 May 2020 (collectively, the "**Suspension of Operation Announcements**").

With respect to corn supply, global corn production for the year 2020/21 is estimated at 1,133.9 million MT (2019/20: 1,116.6 million MT), according to the estimates from the United States Department of Agriculture in January 2021. The high demand from China together with shrinking supply from major exporters such as Argentina have driven up the international corn price. International corn price increased from 608 US cents per bushel (equivalent to RMB1,670 per MT) at the end of 2019 to 718 US cents per bushel (equivalent to RMB1,844 per MT) by the end of 2020. In the PRC, corn harvest in 2020/21 is estimated to produce approximately 264.7 million MT (2019/20: approximately 260.8 million MT) of corn, with consumption volume estimated at 288.2 million MT for 2021 (2020: 278.3 million MT). A shortage of corn of approximately 20 million MT is expected in the PRC in 2021. In addition, the PRC grain traders have been piling up their grain reserves due to the concerns with regard to food security in light of the continued impact of the COVID-19 pandemic on the global economy. All these factors have contributed to the surge in domestic corn price during the Year. As a result, corn price in the PRC rose to RMB2,529 per MT (end of 2019: RMB1,850 per MT) by the end of 2020. Apart from the rising corn cost, the economic slowdown and shrunken demand for the Group's products have made it not commercially viable to continue with the production operation for the upstream corn refinery. To mitigate the situation, the Group has suspended the production operation of 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**") starting from the second quarter of 2020. Consequently, the performance of the Group's upstream business was adversely affected during the Year. The Group will continue to monitor the market conditions and be cautious in making decisions on the Group's business strategies so as to optimise the operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence.

As for the sugar market, global sugar production volume for 2019/20 was about 166.2 million MT. Although the COVID-19 pandemic had an impact on sugar consumption, industry estimates still show demand growth for sugar in 2020/21. In addition, the decrease in sugar production in Thailand, the second largest sugar exporter in the world, the speculation about a possible sugar shortage and tight supply of shipment containers due to lockdowns in major ports have caused sugar price to soar since the third quarter of the Year. As a result, international sugar price increased to 15.49 US cents per pound (equivalent to RMB2,232 per MT) (end of 2019: 13.42 US cents per pound, equivalent to RMB2,070 per MT) by the end of 2020. In the PRC, domestic sugar production remained at similar level at 10.7 million MT in 2019/20 harvest, while consumption stayed at around 15.4 million MT. However, the expiry of the extra tariff on out-of-quota sugar imports in the PRC in May 2020 has led to an increase in sugar imports into China and dragged down the domestic sugar price to RMB5,356 per MT (end of 2019: RMB5,900 per MT) by the end of 2020. In addition, as a number of users in Huadong area has opted for vertical integration and expanded upstream to secure their feedstocks, the market of sweeteners has shrunk and competition has further intensified. As such, the Group has suspended the operation of the downstream sweeteners production facilities in the Jinzhou and Xinglongshan sites and consolidated its resources into the Shanghai production site which has higher operation efficiency until market recovers. The Group will continue to utilise its research and development capabilities to improve operational efficiency to lower cost and at the same time, develop products that better suit market needs to cope with market changes.

The operating environment of the Group in 2021 will continue to be challenging as the PRC corn price is expected to remain high in 2021. On top of this, the continued impact of the COVID-19 pandemic and the intensified market competition will further add pressure on the already lackluster market. In the short run, the Group will continue to monitor closely the development of the COVID-19 pandemic, the market conditions as well as the financial conditions of the Group and will ensure the operation of the Group's subsidiaries to resume as soon as possible to the extent practicable. In the long run, the Group will continue to strengthen its market position utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, and further improve cost effectiveness and product mix through continuous research and development efforts.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2019 was subject to the disclaimer of opinion of the external auditor (the "**Auditor**") of the Company in the independent auditor's report in the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"). Further to the management's 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 2019 Annual Report and the 2020 Interim Report, the management of the Company wishes to provide an update on the remedial measures of the Company taken and to be taken as follows, which have been considered, recommended, and agreed by the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position:

1. Financial guarantee contracts

As detailed in the 2019 Annual Report and the 2020 Interim Report, 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), a wholly-owned subsidiary of the Company, and certain subsidiaries of Global Bio-chem Technology Group Company Limited ("**GBT**", together with its subsidiaries, the "**GBT Group**") (collectively, the "**Guarantor Subsidiaries**") provided financial guarantees for the indebtedness of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest (the "**Dajincang Indebtedness**") and the financial guarantee contracts (the "**Financial Guarantee Contracts**") were not recognised in the Group's consolidated financial statements for the year ended 31 December 2019 because the Group was unable to obtain reliable financial information of Dajincang for the professional valuer to conduct an accurate valuation. During the Year, the board (the "**Board**") of directors (the "**Directors**") of the Company and the board of directors of GBT (the "**GBT Board**") continued to actively explore different options to resolve the Financial Guarantee Contracts.

As disclosed in the 2020 Interim Report, 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) ("**BOC Jilin Branch**") has transferred all the rights and benefits of, among others, the loans of the Group in the amount of approximately RMB198.6 million with the outstanding interest (the "**GSH Indebtedness**"), the loans of the GBT Group (excluding the Group) in the amount of approximately RMB1.3 billion with the outstanding interest (the "**GBT Indebtedness**") and the Dajincang Indebtedness (collectively, the "**BOC Transferred Loans**") to 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**China Cinda**") in February 2020. As announced in a joint announcement of the Company and GBT on 18 January 2021, China Cinda has transferred the BOC Transferred Loans to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"), a company controlled by 長春市人民政府 (The Changchun Municipal Government*) (the "**Local Government**"). After the completion of the transfer of the BOC Transferred Loans to Changchun Rudder, the management of the Group and the GBT Group continued to discuss the next step of the debt restructuring plan with Changchun Rudder and the Local Government with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GBT Group. Under the applicable law in the PRC, the debtors are required to purchase the loans owed by themselves in order to discharge the debts and liabilities owed to it. As such, each of the Group, the GBT Group and Dajincang (collectively, the "**BOC Borrowers**") entered into a repurchase agreement with Changchun Rudder on 26 March 2021 (collectively, the "**Repurchase Agreements**" and each, a "**Repurchase Agreement**"), pursuant to which Changchun Rudder had agreed to sell to each of the BOC Borrowers, and each of the BOC Borrowers had agreed to purchase, all of its rights and benefits of their respective portion of the BOC Transferred Loans. The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreement entered into between Changchun Rudder and Dajincang, all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GBT dated 26 March 2021 and 31 March 2021. The Group and the GBT Group are not jointly or severally responsible for each other's obligations under the respective Repurchase Agreements, nor Dajincang's obligations under the Repurchase Agreement entered into between Changchun Rudder and Dajincang.

The Auditor has confirmed that the disclaimer opinion in relation to the Financial Guarantee Contracts on the Group's consolidated financial statements for the year ending 31 December 2021 will be removed upon the completion of the Repurchase Agreements entered into between Changchun Rudder and Dajincang. However, the Auditor may be unable to determine whether any adjustments in respect of the Financial Guarantee Contracts as at 31 December 2020 are necessary, which may have a significant impact on the financial position of the Group as at 31 December 2020, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ending 31 December 2021.

2. 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 Board has expressed their views and outlined the steps that have been taken by the management of the Company to improve the financial position of the Group in note 2.2 to the consolidated financial statements.

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2.2 to the consolidated financial statements, the Board, including the Audit Committee, is of the view that the Group will have sufficient working capital for at least 12 months from the date of this report. Please refer to note 2.2 to the consolidated financial statements for details.

FINANCIAL PERFORMANCE

During the Year, most of the operations of the Group's subsidiaries in the PRC have been suspended. The suspension of operations was a result of (i) the impact of the COVID-19 pandemic that had led to the slowdown of economic growth in the PRC; (ii) the tight operating cash flow of the Group due to the prolonged challenging operating environments; and (iii) the lack of supply of starch slurry from the subsidiary of GBT through a pipeline transfer system in the Xinglongshan site due to the suspension of the GBT's subsidiary. The suspension of operations has led to a significant drop in the sales volume of the Group's upstream and downstream segments by approximately 79.4% and 41.8% respectively to approximately 87,000 MT and 174,000 MT (2019: 423,000 MT and 299,000 MT) respectively. As a result, the Group's consolidated revenue decreased significantly by approximately 60.7% to approximately HK$769.0 million (2019: HK$1,956.8 million), with gross profit declined by approximately 62.5% to approximately HK$77.9 million (2019: HK$207.6 million). During the Year, the Group suspended most of its operation and consolidated its resources into the Shanghai production site which has higher operational efficiency in response to the drop in the average selling price of the Group's product, stagnant demand and intensified competition of the sweeteners market. As a result, the Group's gross profit margin decreased only slightly by approximately 0.5 percentage point to approximately 10.1% (2019: 10.6%) during the Year.

The high debt level of the Group has led to a significant increase in finance cost by approximately 45.4% to approximately HK$110.1 million (2019: HK$75.7 million). However, due to the recognition of a one-off gain from resumption of the properties owned by Dihao Foodstuff in the amount of approximately HK$289.4 million during the Year, the Group recorded net loss and EBITDA (i.e. earning before interest, taxation, depreciation and amortisation) of approximately HK$8.7 million (2019: HK$162.6 million) and HK$201.4 million (2019: LBITDA (i.e. loss before interest, taxation, depreciation and amortisation): HK$22.9 million) respectively for the Year.

To improve the performance and financial position of the Group, the management of the Group will continue to focus its efforts on 1) speeding up the process of resumption of the remaining part of the land and buildings owned by the Group which located in Luyuan District, Changchun (the "**Relevant Properties**") in order to enhance the cash flow of the Group; 2) actively negotiating with banks/creditors to push forward the debt restructuring plan to lower the debt level of the Group; and 3) closely monitoring market changes to identify the opportunity for full/ partial resumption of production operations to improve operating cash flow of the Group.

Upstream products

(Sales amount: HK$211.0 million (2019: HK$1,038.4 million))
(Gross profit: HK$22.9 million (2019: HK$101.7 million))

The typhoons near the northeast part of China in the third quarter of the Year has led to an unexpected drop of corn harvest by 10%. In addition, the outbreak of COVID-19 and the clearance of the national corn reserves in the past years have raised concerns over food security in the PRC. All these factors have caused the price for corn kernel to surge during the Year. As disclosed in the 2020 Interim Report, the Group has suspended the upstream production facilities in the Jinzhou site since the second quarter of 2020. As a result, the sales volumes of corn starch and other corn refined products dropped to approximately 65,000 MT (2019: 293,000 MT) and 22,000 MT (2019: 130,000 MT), respectively, with their revenues amounted to approximately HK$163.9 million (2019: HK$760.3 million) and HK$47.1 million (2019: HK$278.1 million), respectively. As a result of the suspension, internal consumption of corn starch decreased to approximately 6,000 MT (2019: 76,000 MT) which was used for the supply of raw material for production in the Shanghai site.

Consequently, the gross profits of the corn starch segment decreased significantly by approximately 83.0% to approximately HK$18.6 million (2019: HK$109.4 million). As the average selling price of corn starch dropped by approximately 3.2% during the Year, gross profit margin of the corn starch segment dropped by 3.1 percentage points to approximately 11.3% (2019: 14.4%) during the Year.

On the other hand, due to the recovery of husbandry industry during the second half of the Year, the demand for feed-related corn refined products such as corn gluten and fibre improved. The Group's other corn refined segment recorded gross profits and gross profit margin of approximately HK$4.3 million (2019: gross loss: HK$7.7 million) and approximately 9.1% (2019: gross loss margin: 2.8%), respectively during the Year.

Corn Sweeteners

Corn syrup

(Sales amount: HK$451.4 million (2019: HK$587.3 million))
(Gross profit: HK$46.9 million (2019: HK$68.5 million))

During the Year, the revenue and gross profit of corn syrup decreased by approximately 23.1% and 31.5% respectively, to approximately HK$451.4 million (2019: HK$587.3 million) and HK$46.9 million (2019: HK$68.5 million) respectively. Such decreases were mainly attributable to the decline in sales volume by approximately 26.9% to approximately 136,000 MT (2019: 186,000 MT) as a result of the poor sentiment of the sweeteners market and the suspension of downstream production in the Group's Jinzhou and Xinglongshan sites. Nevertheless, with the Group's effort to minimise cost and cash outflow through suspension of operations and focusing its resources in the Shanghai production site which has higher operational efficiency, the gross profit margin of the corn syrup segment dropped slightly to approximately 10.4% (2019: 11.7%) during the Year.

Corn syrup solid

(Sales amount: HK$106.6 million (2019: HK$331.1 million))
(Gross profit: HK$8.1 million (2019: HK$37.4 million))

During the Year, the revenue of corn syrup solid, which was entirely the revenue of maltodextrin, dropped to approximately HK$106.6 million (2019: HK$331.1 million) as sales volume dropped to approximately 38,000 MT (2019: 113,000 MT). In addition, due to stagnant demand and keen market competition, the selling price of maltodextrin dropped by approximately 4.3%. As a result, the gross profit of maltodextrin decreased significantly by approximately 78.3% to approximately HK$8.1 million (2019: HK$37.4 million) with gross profit margin declined to approximately 7.6% (2019: 11.3%).

Export sales

During the Year, export sales accounted for approximately 3.5% (2019: 7.4%) of the Group's total revenue. The export sales of upstream products and corn sweeteners decreased by approximately 81.8% and 81.0% respectively to approximately HK$16.2 million (2019: HK$89.2 million) and HK$10.7 million (2019: HK$56.4 million) respectively. Such decreases were mainly attributable to the suspension of most of the Group's production facilities.

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

Other income and gains

During the Year, other income and gains of the Group increased by approximately 1,579.9% to approximately HK$309.1 million (2019: HK$18.4 million). Such increase was mainly attributable to a one-off gain on resumption of properties owned by Dihao Foodstuff which amounted to approximately HK$289.4 million during the Year.

Selling and distribution costs

During the Year, the selling and distribution costs dropped by approximately 66.0% to approximately HK$61.3 million (2019: HK$180.4 million), accounting for approximately 8.0% (2019: 9.2%) of the Group's revenue. Such decrease was mainly attributable to the decrease in transportation and packaging costs as a result of the significant decline in sales volume during the Year.

Administrative expenses

During the Year, administrative expenses decreased by approximately 15.3% to approximately HK$94.7 million (2019: HK$111.8 million), representing approximately 12.3% (2019: 5.7%) of the Group's revenue. Such decrease was mainly attributable to the decrease in salaries and other staff benefits by approximately HK$19.9 million to approximately HK$23.4 million (2019: HK$43.3 million) as the number of headcount had been reduced during the Year.

Other expenses

Other expenses of the Group increased significantly by approximately 192.4% to approximately HK$111.4 million (2019: HK$38.1 million) during the Year. Such increase was mainly attributable to the expenses in relation to idle capacity of certain suspended production facilities which amounted to approximately HK$69.3 million (2019: HK$26.3 million) during the Year.

Finance costs

During the Year, finance costs of the Group increased by approximately 45.4% to approximately HK$110.1 million (2019: HK$75.7 million). The increase in finance costs was mainly attributable to the increase in interest on default loans and the increase in interest on trade payables, which amounted to approximately HK$62.6 million (2019: HK$53.4 million) and HK$46.8 million (2019: HK$20.4 million) respectively during the Year.

Income tax expenses (credit)

Due to the recognition of temporary differences, the Group recorded deferred tax expenses of approximately HK$18.2 million (2019: deferred tax credit: HK$17.7 million) during the Year. Meanwhile, all the subsidiaries of the Group recorded tax losses during the Year, and no income tax expenses were recorded for the Year (2019: HK$0.3 million). As a result, the Group recorded tax expenses of approximately HK$18.2 million during the Year (2019: tax credit: HK$17.4 million).

Net loss attributable to shareholders

As a result of the one-off gain on resumption of the properties owned by Dihao Foodstuff in the amount of approximately HK$289.4 million during the Year, the net loss attributable to shareholders of the Company narrowed to approximately HK$8.7 million for the Year (2019: HK$162.6 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2020 increased by approximately HK$33.1 million to approximately HK$995.6 million (31 December 2019: HK$962.5 million). The change in total borrowings was mainly attributable to exchange rate adjustment as at 31 December 2020 which amounted to approximately HK$66.8 million (2019: HK$21.9 million) and net repayment of interest-bearing bank and other borrowings by approximately HK$33.7 million. On the other hand, cash and bank balances as at 31 December 2020, which were mainly denominated in Renminbi and Hong Kong dollars decreased by approximately HK$9.5 million to approximately HK$21.3 million (31 December 2019: HK$30.8 million) as at 31 December 2020. Consequently, the net borrowings increased to approximately HK$974.3 million (31 December 2019: HK$931.7 million).

Structure of interest-bearing bank and other borrowings

As at 31 December 2020, the Group's bank and other borrowings of approximately HK$995.6 million (31 December 2019: HK$962.5 million) were all (31 December 2019: all) denominated in Renminbi. The average interest rate during the Year increased to approximately 6.5% per annum (2019: 5.6% per annum). The percentage of interest-bearing bank and other borrowings wholly repayable within one year and in the second to the fifth years were 81.5% and 18.5% (31 December 2019: 79.2% and 20.8%), respectively. As at 31 December 2020, interest-bearing bank and other borrowings amounted to approximately RMB213.0 million (31 December 2019: RMB215.0 million) have been charged at fixed interest rates of 7.0% to 8.0% for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were charged with reference to floating interest rate.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Year, trade receivables turnover days increased to approximately 46 days (31 December 2019: 36 days) as longer credit periods were granted to a number of customers with good track records.

Trade payables turnover days increased to approximately 134 days (31 December 2019: 82 days) during the Year, as the Group had negotiated with its suppliers to extend the credit terms.

As at 31 December 2020, the Group's inventory level decreased by approximately 68.1% to approximately HK$61.6 million (31 December 2019: HK$193.0 million). Such decrease was mainly attributable to the suspension of the Jinzhou and Xinglongshan sites during the Year. Consequently, the inventory turnover days decreased to approximately 33 days (31 December 2019: 40 days) for the Year.

As at 31 December 2020, the current ratio and quick ratio increased to approximately 0.4 (31 December 2019: 0.3) and approximately 0.4 (31 December 2019: 0.2) respectively. Gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) was approximately 174.4% (31 December 2019: 174.7%).

MAJOR INVESTMENTS

The Group had no material investments as at 31 December 2020. Except for the relocation plan disclosed in the Report of the Directors under section headed "Relocation of production facilities to the Xinglongshan site" on page 47 of this report, the Group has no other future plans for material investments or capital assets as at the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Year.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2020, the Group's interest-bearing bank and other borrowings amounted to approximately HK$727,825,000 (31 December 2019: HK$712,637,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group which amounted to approximately HK$329,859,000 (31 December 2019: HK$551,669,000) and HK$58,077,000 (31 December 2019: HK$58,126,000) respectively, and a receivable of the GBT Group which amounted to approximately HK$119,048,000 (31 December 2019: HK$444,444,000).

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 approximately 3.5% (2019: 7.4%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations. 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 the future as and when necessary.

IMPORTANT TRANSACTIONS DURING THE YEAR

Reference is made to the joint announcements of the Company and GBT on 24 August 2020 and 30 September 2020 in relation to the first phase of resumption which involved the properties owned by Dihao Foodstuff (the "**Dihao Resumption**"), with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres in Luyuan District (the "**Dihao Properties**"). Dihao Foodstuff has entered into a compensation agreement with 長春市綠園區人民政府 (The People's Government of Luyuan District of Changchun City*) (the "**Luyuan Government**") on 30 September 2020, pursuant to which Dihao Foodstuff shall surrender the Dihao Properties to the Luyuan Government upon the signing of the agreement. Dihao Foodstuff shall receive a total compensation of approximately RMB443.0 million (equivalent to approximately HK$497.7 million) as a result of the Dihao Resumption, all the compensation in the amount of RMB443.0 million has been received by Dihao Foodstuff as at the date of this report.

Given that the Group was bound to follow the request of the Luyuan Government to surrender the Dihao Properties under the Dihao Resumption and there was no discretion to act in an opposite manner, the Board is of the view that the Dihao Resumption did not constitute a "transaction" under Chapter 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

IMPORTANT EVENT AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

As mentioned in the paragraph headed "Update on Remedial Measures" of this report, the BOC Transferred Loans have been transferred to Changchun Rudder and each of the BOC Borrowers entered into a Repurchase Agreement with Changchun Rudder on 26 March 2021 to purchase their respective portion of the BOC Transferred Loans so as to discharge their debts and liabilities owed to Changchun Rudder. The considerations of the GSH Indebtedness and the GBT Indebtedness will be financed by the proceeds from the compensation for the resumption of the Relevant Properties. The completion of the Repurchase Agreements took place on 31 March 2021. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GBT dated 26 March 2021 and 31 March 2021.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will optimise its production while maintaining its market presence, diversify its product mix and enhance its capability in developing high value-added products and introduce strategic business alliance with prominent market leaders.

The operating environment in 2021 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. The tension between China and the United States (the "**US**") will pose uncertainties to the economy and the pace of recovery. On top of this, the economic slowdown and the intensified market competition will further add pressure on the already lackluster market. In the short run, the Group will continue to monitor closely the development of the COVID-19 pandemic, the market conditions as well as the financial conditions of the Group and will ensure the operation of the Group's subsidiaries to resume as soon as possible to the extent practicable so that the Group could maximise the synergistic effects amongst its various production sites for the supply of raw materials and serving their respective markets.

In the long run, the Group will continue to strengthen its market position utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, and further improve cost effectiveness and product mix through continuous research and development efforts.

With respect to the financial position of the Group, the management will endeavour to facilitate the materialisation of the debt restructuring plan to improve the financial position of the Group and adopt a prudent approach in face of the current market condition.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2020, the Group had approximately 950 (2019: 1,000) full time employees in Hong Kong and in 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 increasingly turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards to its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain competitive 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 discretionary bonuses.

EXECUTIVE DIRECTORS

Mr. Zhang Zihua, aged 51, has been an executive Director since his appointment in March 2017 and the acting chairman of the Company since 31 December 2018. He is also the chairman of 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Ltd.*) and deputy general manager of 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.) ("**Nongtou**", together with its subsidiaries, the "**Nongtou Group**"). Mr. Zhang has held a number of positions in various state-owned enterprises in Jilin Province's agricultural sector, including the general manager of 東方匯金期貨有限公司 (Oriental Huijin Future Co., Ltd.) (formerly known as 吉糧期貨經紀有限公司 (Jiliang Futures Brokerage Co., Ltd.)), the general manager of asset management department of 吉林省投資集團有限公司 (Jilin Province Investment Group Co., Ltd.), the deputy general manager of 吉林經濟合作開發投資有限公司 (Jilin Economic Cooperation Development Investment Co., Ltd.), and the chairman of 吉林省大米股份有限公司 (Jilin Province Rice Co., Ltd.). Mr. Zhang attained a Master's degree in business management from the School of Management of the Jilin University in 2005. Mr. Zhang has also been appointed as an executive director of GBT since 23 March 2017 and the acting chairman of GBT since 20 October 2020.

Mr. Tai Shubin, aged 40, has been appointed as an executive Director on 17 December 2020. Mr. Tai graduated from 吉林工商學院 (Jilin Business and Technology College*) (formerly known as 吉林糧食高等專科學校 (Jilin Grain College*)) in July 2004 majoring in financial management. In December 2014, he obtained a Bachelor's degree in social work and management from Jilin University. Mr. Tai has been qualified as a senior management accountant （高級管理會計師） in the PRC in October 2020. Mr. Tai has over 15 years of experience in accounting and financial management and served in various capacities in different state-owned enterprises in Jilin Province's agricultural sector, including 吉林吉糧平安米業有限公司 (Jilin Jiliang Ping'an Rice Industry Co., Ltd.*), 吉林糧食資產管理有限公司 (Jilin Grain Asset Management Co., Ltd.*) and Nongtou. Since August 2016, Mr. Tai has been appointed as a director of Nongtou. Mr. Tai has become the chief financial controller for mainland China region of GBT since July 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan Yeran, aged 28, is a legal consultant of 吉林達信律師事務所 (Jilin Daxin Law Firm*). Mr. Fan graduated from Northeast Electric Power University in 2016, majoring in electrical engineering. He passed the National Judicial Examination in 2017 and is currently studying for a master's degree in law in Jilin University. Mr. Fan has been working in the legal field since 2016, with expertise in corporate legal advisory, investments and mergers and acquisitions. Mr. Fan was appointed as an independent non-executive Director in July 2020.

Mr. Fong Wai Ho, aged 40, obtained a Bachelor's degree in business administration (honours) in accountancy and management information systems from the City University of Hong Kong in 2004. Mr. Fong obtained his qualification from Hong Kong Institute of Certified Public Accountants in 2010 and has become a practising Certified Public Accountant in Hong Kong since 2013, a member of the Association of Chartered Certified Accountants since 2015, a fellow of the Hong Kong Institute of Certified Public Accountants since 2017. Mr. Fong has become members of the Chartered Professional Accountants of British Columbia and the Chartered Professional Accountants of Canada since 2018 and a member of CPA Australia since 2019. Mr. Fong has over 12 years of experience in accounting, auditing and financing aspects. Mr. Fong is currently an independent non-executive director of Perennial Energy Holdings Limited (Stock Code: 02798), Great Wall Belt & Road Holdings Limited (Stock Code: 00524) and CT Environment Group Limited (Stock Code: 01363), all of these companies are listed on the Main Board of the Stock Exchange. Mr. Fong was appointed as an independent non-executive Director in December 2018.

Mr. Lo Kwing Yu, aged 57, holds a Bachelor's degree in law and economics from the University of Keele, United Kingdom. Mr. Lo is a solicitor and has been in private practice in Hong Kong since 1995. He was first admitted as a solicitor in England and Wales and then admitted as solicitor of the Supreme Court of Hong Kong and of the Eastern Caribbean Supreme Court in the Territory in the Virgin Islands. Mr. Lo is a consultant of Messrs. Ho and Ip. Mr. Lo was appointed as an independent non-executive Director in March 2014.

SENIOR MANAGEMENT

Mr. Chan Sing Fai, aged 37, is the financial controller and company secretary of the Company, and has over 13 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor's degree with honours in accountancy in 2007 and attained a Master of Corporate Governance from the Hong Kong Polytechnic University in 2015. He is a member of the Hong Kong Institute of Certified Public Accountants and is an associate member of The Hong Kong Institute of Chartered Secretaries. Mr. Chan has served the Group for over 8 years. He has also been appointed as the company secretary and the financial controller of GBT since April 2018.

Mr. He Xiaoming, aged 47, is the deputy general manager and financial controller of the Group's Shanghai production sites. Mr. He attained a Bachelor's degree with honours in accountancy from Jiangxi University of Technology in 2016. He joined the Group in December 2000 and served as accounting supervisor in Shanghai Haocheng Food Development Company Limited. Mr. He has over 27 years of experience in finance and accounting.

Mr. Meng Xiangyan, aged 48, joined the Group in February 2005 and has extensive experience in production engineering as well as corn refinery and sweeteners industries. Mr. Meng was appointed as the deputy general manager of the Group's Changchun production site in December 2017. He is currently the general manager of the Group's Shanghai production site.

Mr. Wang Guicheng, aged 53, graduated from the Jilin Grain High College for Professional Training, specialising in grain storage and analysis. He joined the GBT Group in 1997 and has been engaging in management of production technology. He has been the general manager of the Xinglongshan production site of the GBT Group since 2015. Mr. Wang was the general manager of the Dehui production site of the GBT Group from July 2016 to March 2017. Mr. Wang was appointed as deputy general manager of the Group's production and operation department in March 2017 and was subsequently appointed as the chief operating officer of the Group and the GBT Group in December 2018.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

To the best knowledge and belief of the Board, the Company has complied with all code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the Year.

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

BOARD OF DIRECTORS

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

	Meetings held and attended							
Name of Directors	Board meeting	Audit committee meeting	Nomination committee meeting	Remuneration committee meeting	Continuing connected transactions executive committee meeting(d)	Continuing connected transactions supervisory committee meeting	Corporate governance committee meeting	Annual general meeting
Executive Directors								
Zhang Zihua	8/8		2/2	2/2			1/1	1/1
Tai Shubin (a)								
Independent Non-executive Directors								
Fan Yeran (b)	4/4	2/2	1/1	1/1		3/3	1/1	
Fong Wai Ho	8/8	3/3				4/4	1/1	1/1
Lo Kwing Yu	8/8	3/3	2/2	2/2		4/4		1/1
Wen Xia (c)	3/4	1/1	0/1	0/1		1/1		1/1

Remarks:

(a) Mr. Tai Shubin was appointed as an executive Director on 17 December 2020.

(b) Mr. Fan Yeran was appointed as an independent non-executive Director, the chairman of the remuneration committee (the "**Remuneration Committee**") of the Company and a member of each of the Audit Committee, the nomination committee (the "**Nomination Committee**") of the Company, the corporate governance committee (the "**Corporate Governance Committee**") of the Company and the continuing connected transactions supervisory committee (the "**CCT Supervisory Committee**") of the Company on 22 July 2020.

(c) Mr. Wen Xia resigned as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee, the Nomination Committee, the Corporate Governance Committee and the CCT Supervisory Committee on 22 July 2020.

(d) The current members of the continuing connected transactions executive committee (the "**CCT Executive Committee**") of the Company are members of the senior management of the Group.

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 16 of this report.

The Company believes its independent non-executive Directors comprise a synergy of 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 the Shareholders' interest. The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence pursuant to rule 3.13 of the Listing Rules. As of the date of this report, the Company 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 has adopted the board diversity policy to increase diversity at Board level continuously, in order to achieve and maintain its sustainable development and competitive advantage.

The board diversity policy has been considered from a range of diversity perspectives, including but not limited to race, 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. The Nomination Committee will monitor the implementation of the board diversity policy and report to the Board annually.

Underpinned by meritocracy, the 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:

1) A prescribed proportion of female members on the Board;

2) A prescribed proportion of independent non-executive Directors on the Board;

3) A prescribed proportion of members on the Board holding bachelor's degree or above;

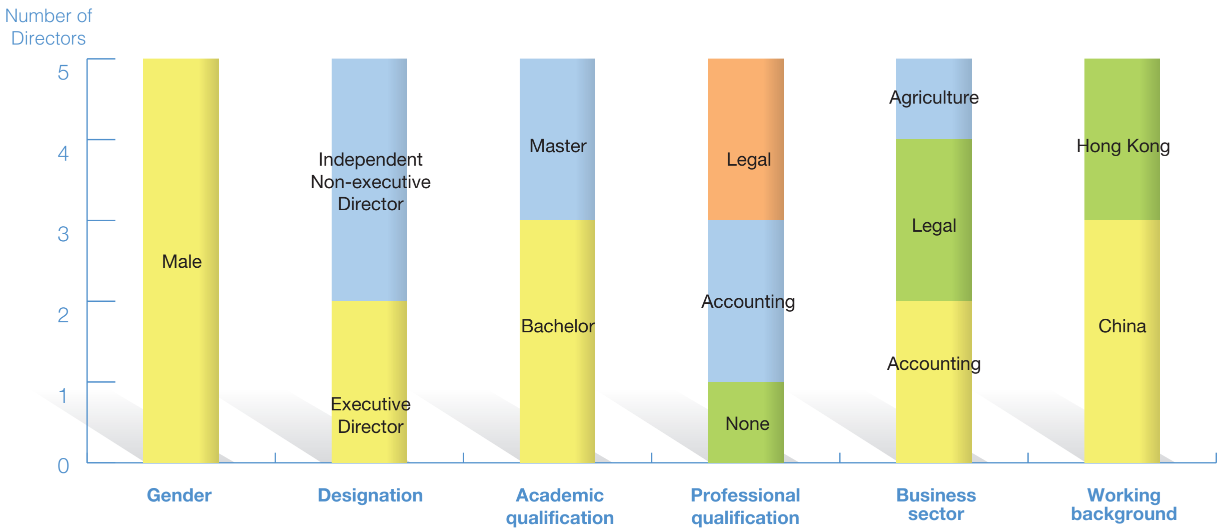
4) A prescribed proportion of members on the Board possessing accounting or other professional qualifications;

5) A prescribed proportion of members on the Board possessing experience in the industry he/she specialised in; and

6) A prescribed proportion of members on the Board possessing China-related work experience.

During the Year, the Group has achieved all of the above measurable objectives set for implementing the board diversity policy save for the objective to have a prescribed proportion of female members on the Board and the Group aims to further improve the diversity of the Board by achieving this measurable objective in coming future.

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



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 included but not limited to: overall strategies, enterprise risk management and internal control, major acquisitions and disposals, annual budgets, interim and annual results, recommendations on appointment(s) or reappointment(s) of the Directors, 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 of the Company. If necessary, the Directors also have resource to external professional advice at the Company's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

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

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

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

Directors' training

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

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

	Type of trainings	
	A	B
Executive Directors		
Zhang Zihua		✓
Tai Shubin *(Appointed on 17 December 2020)*		✓
Independent non-executive Directors		
Fan Yeran *(Appointed on 22 July 2020)*		✓
Fong Wai Ho	✓	✓
Lo Kwing Yu		✓
Wen Xia *(Resigned on 22 July 2020)*	✓	✓

A: Seminars/conferences relevant to the Directors' duties and responsibilities
B: Reading materials given by the Company relating to the Company's business and regular updates on the Listing Rules and other applicable regulatory requirements relevant to the 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 individuals. At the date of this report, Mr. Zhang Zihua is the acting chairman of the Company and is mainly responsible for providing leadership and directions to the Board. Mr. Wang Guicheng is the chief operating officer and is responsible for overseeing the operation management and product development of the Group.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	2020 HK$'000	2019 HK$'000
Fees	**601**	616
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	–
Performance-related bonuses	**–**	–
Payment in lieu of notice	**–**	–
Pension scheme contributions	**–**	–
	601	616

(a) Independent non-executive Directors

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

	2020 HK$'000	2019 HK$'000
Fan Yeran (a)	**54**	–
Fong Wai Ho	**240**	240
Lo Kwing Yu	**240**	240
Wang Wenquan (b)	**–**	68
Wen Xia (c)	**67**	68
	601	616

Remarks:

(a) Mr. Fan Yeran was appointed as an independent non-executive Director on 22 July 2020.

(b) Mr. Wang Wenquan resigned as an independent non-executive Director on 28 June 2019.

(c) Mr. Wen Xia was appointed as an independent non-executive Director on 28 June 2019 and resigned on 22 July 2020.

There were no other emoluments payable to the independent non-executive Directors during the Year (2019: Nil).

(b) Executive Directors

According to the Director's service contracts entered into between the Company, Mr. Zhang Zihua and Mr. Tai Shubin, respectively, Mr. Zhang and Mr. Tai are not entitled to any salaries, allowances, performance bonuses, pension scheme contribution and any benefits in kind.

(c) Senior management

The band of the remuneration of senior management personnel and related number of members of senior management personnel during the Year were as follows:

	2020 Number of individuals
Nil to HK$1,000,000	4

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

ACCOUNTABILITY AND AUDIT

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

The Directors are responsible for overseeing the preparation of financial statements of each financial year. In preparing the financial statements for the Year, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards in effect, made judgments and estimates that are appropriate, and prepared the financial statements on a going concern basis. The management is of the view that the Group will continue as a going concern for the reasons stated as set out in point 2 "Material uncertainty relating to going concern" under the section headed "Update on remedial measures" on page 8 to page 9 of this report.

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 management of the Group include the preparation of annual and interim results for the Board's approval, the implementation of strategies approved by the Board, the monitoring of operating budgets, the assessment of risk management system, the implementation of internal control procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations by the Group.

BOARD COMMITTEES

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

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 control systems. The Audit Committee comprises all independent non-executive Directors. As at the date of this report, the members of the Audit Committee are Mr. Fong Wai Ho (chairman of the Audit Committee), Mr. Fan Yeran and Mr. Lo Kwing Yu.

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

The Group's annual results for the Year have been reviewed by the Audit Committee and the Audit Committee held three meetings during the Year.

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

1. Reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgment, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval;

2. Reviewed, in conjunction with the Auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements;

3. Reviewed and monitored the Auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

4. Assessed the independence of the Auditor, prior to formally engaging the Auditor to carry out the audit for the Group's financial statements for the Year;

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

6. Recommended to the Board regarding the appointment and remuneration of the Auditor;

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

8. 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. Reviewed the adequacy and effectiveness of the Group's systems of enterprise risk management and internal control through a review of the work undertaken by the Group's internal audit team and external consultant and discussions with the Board; and

10. 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 team, and discussions with the Board.

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises an executive Director, Mr. Zhang Zihua (chairman of the Nomination Committee), and two independent non-executive Directors, being Mr. Fan Yeran and Mr. Lo Kwing Yu. The duties of the Nomination Committee are, among others, determining policy for the nomination of the Directors, including the nomination procedures, processes and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the Year. The Nomination Committee also reviews the structure, size and composition of the Board and makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" on page 19 to page 20 in this report.

The Board has adopted written policy for the nomination of new directors. In evaluating and selecting candidates for directorship, the criteria to be taken into account when considering the suitability of a candidate shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities.

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a candidate:

1) Succession planning of the Directors;

2) Leadership required for the Group to maintain or strengthen its competitive edges;

3) Changes in market environment and commercial needs of the market in which the Group operates;

4) Skills and expertise required for being a member of the Board;

5) Relevant requirements for a candidate to be a Director under the Listing Rules;

6) Character and integrity;

7) Commitment of sufficient time for performance of the duties as a member of the Board; and

8) The Board's diversity in all aspects as mentioned in page 19 to page 20 of this report.

The Board has adopted procedures for the nomination of new directors, pursuant to which (i) a meeting of the Nomination Committee in relation to the nominations of new directors to the Board will be held; and (ii) the Board will consider and, if thought fit, approve the appointment of the new directors by way of board meeting or written resolution. To ensure a proper understanding of the operations and businesses of the Company and that he or she is fully aware of his or her responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed directors will be provided with a comprehensive, tailored and formal introduction of the Company on the first occasion of his or her appointment.

The Nomination Committee held two meetings in 2020.

The Nomination Committee has reviewed the structure, size and composition of the Board, evaluated the nomination policy, assessed the independence of the independent non-executive Directors and made recommendation to the Board on the appointment of the Directors in the forthcoming AGM.

REMUNERATION COMMITTEE

As at the date of this report, the members of the Remuneration Committee include an executive Director, Mr. Zhang Zihua, and two independent non-executive Directors, being Mr. Fan Yeran (chairman of the Remuneration Committee) and Mr. Lo Kwing Yu. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of executive Directors and the senior management, as well as on the Group's policy and structure for the remuneration of the Directors and the senior management. The Remuneration Committee also assesses performance of executive Directors and approves the terms of executive Directors' service contracts. The Board has adopted remuneration policy of the Directors on the basis of their merit, qualification and competence with reference to the market benchmarks.

In 2020, the Remuneration Committee held two meetings to review and make recommendations to the Board remuneration packages of executive Directors and the senior management.

CORPORATE GOVERNANCE COMMITTEE

As at the date of this report, the Corporate Governance Committee comprises an executive Director, Mr. Zhang Zihua and two independent non-executive Directors, being Mr. Fong Wai Ho (chairman of the Corporate Governance Committee) and Mr. Fan Yeran. The Corporate Governance Committee was established in accordance with the requirements of the CG Code for the purposes of determining, developing and reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes.

The Corporate Governance Committee held one meeting in 2020.

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

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

2. Reviewed and monitored the training and continuous professional development of the Directors and the senior management;

3. Reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements;

4. Reviewed the Company's compliance with the code provisions of the CG Code and corporate governance report issued by the Stock Exchange; and

5. Ensured that good corporate governance practices and procedures had been established and applied.

The Corporate Governance Committee considered that the Company has complied with all code provisions in the CG Code during the Year.

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The CCT Executive Committee is responsible for monitoring, reviewing and managing the CCT between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare the CCT reports and submit the same to the CCT Supervisory Committee on regular basis. As at the date of this report, the members of the CCT Executive Committee are Mr. Meng Xiangyan and Mr. He Xiaoming, both being the senior management of the Group. Biographical details of the senior management of the Group are set out on page 17 of this report.

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

CCT SUPERVISORY COMMITTEE

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

(1) to devise and revise detailed rules and guidelines (the "**Prescribed Guidelines**") from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with the GBT Group, which are not qualified for exemptions or waivers from the Shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules (the "**Non-exempt CCT**"), will be entered into in accordance with the respective agreements in relation to purchase of corn starch and other raw materials such as enzymes by the Group from the GBT Group, sale of corn sweeteners by the Group to the GBT Group and supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group (the "**New Master Agreements**"), on normal commercial terms or better and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(2) to review, on a quarterly basis, the quarterly reports (the "**CCT Quarterly Reports**") submitted by the CCT Executive Committee in relation to purchase of corn starch (either in powder or slurry form) and other raw materials from the GBT Group by the Group and the sale of corn sweeteners to the GBT Group (the "**Proposed Purchase and Sale**") as to whether they have been proceeded with in accordance with the Prescribed Guidelines;

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

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

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

(1) the Group shall not purchase corn starch and other raw materials from the GBT Group, sell corn sweeteners to the GBT Group or obtain the Utility Services from the GBT Group, unless the GBT Group shall agree that the purchase prices, selling prices, fees payable and other commercial terms for these transactions shall be determined in the manner as prescribed under the Prescribed Guidelines;

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

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

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

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

(iv) the total purchase price and terms for the purchase of other raw materials shall be determined by using the lower of (i) (if available) the average unit purchase price of other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) from such independent supplier(s) for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of the other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase the products from such independent supplier(s) for the relevant month up to the price determination date;

(3) in respect of the sale of corn sweeteners to the GBT Group by the Group, the total selling price and terms for the sale of corn sweeteners shall be determined by using the average unit selling price of corn sweeteners of comparable specifications and quantities to such independent customer(s) for the five business days up to the price determination date;

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

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

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

Four meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Purchase and Sale and the Utility Services entered into by the Group with the GBT Group during the Year. Details of findings have been published on 29 May 2020, 24 August 2020, 17 November 2020 and 29 March 2021. As reported by the CCT Supervisory Committee, (i) the Proposed Purchase and Sale conducted during the Year were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services during the Year had been charged in accordance with the relevant New Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the Shareholders.

Auditor's Remuneration

The Auditor's remuneration amounted to HK$2,200,000 was incurred for the audit of the Group's consolidated financial statements for the Year.

During the Year, service fee for interim report and circulars of HK$432,000 were paid as professional fee to Mazars CPA Limited for the provision of non-audit related services to the Group.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chan Sing Fai, is responsible for supporting the Board, ensuring good information flow within the Board and that the Board policies and procedures are followed, advising the Board on corporate governance matters, facilitating induction, and monitoring the training and continuous professional development of the Directors. He has attained no less than 15 hours of relevant professional training during the Year. Mr. Chan's biography is set out on page 17 of this report.

INVESTOR RELATIONS

The Group establishes and maintains different communication channels with the 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 the financial performance of the Company to the Shareholders twice a year and maintains a regular dialogue with investors.

The AGM provides a useful forum for the Shareholders to exchange views with the Board. The chairman/acting chairman, all members of the Board committees and the Auditor will also attend the AGM to answer questions from the Shareholders.

The notice of AGM will be distributed to all the 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 the Directors. Details of the proposed resolutions will be contained, where necessary, in circulars of the Company. The chairman of the AGM shall exercises his/her power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll will be explained at the meeting. Poll results will be posted on the websites of the Company and the Stock Exchange after the meeting.

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

As of 31 December 2020, details of the Shareholders by type and aggregate shareholding are as follow:

	Number of shares held	**Percentage of shareholding**	**Market capitalisation (HK$ million)**
GBT	978,278,000	64.04	136.96
Public float in Hong Kong	549,308,000	35.96	76.90
Total	1,527,586,000	100.00	213.86

The 2020 AGM was held on 24 June 2020 to approve the 2019 audited consolidated financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of the Directors. All resolutions proposed were passed by way of poll.

The 2021 AGM will be held on 27 May 2021 to approve, among others, the 2020 audited consolidated financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of the Directors.

DIVIDEND POLICY

The Board has suggested to adopt a dividend policy to provide the Shareholders with regular dividends. The Company considers stable and sustainable returns to the Shareholders to be our goal and endeavours to maintain a progressive dividend policy. The Board shall take the following factors into account when considering the declaration and payment of dividends, inter alia:

1. Declaration of dividends will be subject to the discretion of the Directors, depending on factors including but not limited to the results, working capital, cash positions and capital requirements of the Group and statutory and regulatory restrictions.

2. Subject to the factors mentioned in paragraph 1, it is the Directors' present intention to recommend annual distribution to the Shareholders of not less than 15% of the annual profits attributable to equity holders of the Company as dividends in the foreseeable future.

3. The declaration of dividends is subject to the absolute discretion of the Board and any final dividend for the Year is subject to the approval of the Shareholders. The amounts of dividends actually declared and distributed to the Shareholders will be subject to the absolute discretion of the Board and will depend upon a number of factors, including but not limited to availability of the Company's cash and distributable reserves, investment requirements, and the cash flow and working capital requirements of the Group and any factors considered and thought fit by the Board.

4. The payment of dividends by the Company is also subject to the restrictions under the Laws of the Cayman Islands and the Articles of Association, if any.

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 such policy necessary to make our internal control system effective.

Monthly financial information and variance analysis are provided to the 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 and its various committees 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, among others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, the Board structure and its composition and succession.

The role of the Audit Committee is, through discussion with the management to review at least 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 audit team is fully empowered with access to all data and every operation of the Group, as well as provided with adequate resources and well qualified and capable staff.

Internal audit department

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

Business unit audits are designed to provide assurance that the internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed. The frequency of each audit is determined by internal audit department using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous internal audit results, the 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 senior management and the Auditor. Management is called upon to present action plans in response to internal audit team's recommendations.

Inside information

With respect to the 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 ("**SFO**") and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to Company's attention and/or it is the subject of a decision unless it falls within the SFO safe harbours. 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 the Company's code of conduct. Employees or Directors possessing relevant inside information should report the same to the disinterested Directors, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly. The senior management of the Group are then identified and authorised to act as the Company's spokespersons and respond to enquiries in allocated areas of issues. Unauthorised use of confidential or inside information is strictly prohibited. The Group has also established and implemented procedures for responding to external enquiries about the Group's affairs.

Group risk management

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

The Group's overall risk management is overseen by the Board and the 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 of the Group that directly identifies, records, reports and manages any material risks encountered to mitigate such 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 strategies 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 strategies 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; and

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

The internal control department assists the management to establish the ERM systems with reference to the COSO ERM framework, where major risks were identified and analysed. Management and employees 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. 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 audit team. Based on the results of those tests, process owners are able to present to the senior management that their internal controls are working as intended or that necessary corrections have been made where control weaknesses have been found. Internal audit team reports to the senior management and the Audit Committee that the internal controls have been working properly or that changes have been made to ensure the integrity of the financial statements. The Auditor also understands 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 2020	Key risk mitigations
Financial Risks:		
Liquidity risk of inadequate funding	Suspension of productions increased the liquidity risks	Resumption of the Relevant Properties to obtain additional fund and consolidation of the Group's resources in production base with higher efficiency
Inability to renew the bank borrowings on time	A majority of the bank borrowings have been transferred according to the debt restructuring plan	Actively negotiate with the Local Government and creditors to achieve the debt restructuring plan
Compliance Risks:		
Non-compliance with the Listing Rules and other ordinances	—	Periodic review and testing of the internal control systems were carried out following the recommendations from internal audit team Sufficient training have been provided to the PRC and Hong Kong staff to enhance their knowledge and communication among staff in order to avoid the non-compliance
Strategic Risks:		
Market competition	Intense competition in domestic and export markets of the downstream products	Diversify the product mix and develop more export sales channels for downstream products
Operation Risks:		
The COVID-19 pandemic is raging globally	The operating environment has been materially affected by the COVID-19 pandemic	Streamline operation to secure the liquidity of the Group and closely monitor market changes
Ageing production plants	Productivity lowered with ageing production facilities	Relocation/Renovation of production facilities so as to upgrade production technology and product mix to cope with market changes

In 2020, the internal audit team 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 and considered them effective and adequate. The Company has complied with the CG Code on internal controls and risk management during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has been publishing the Environmental, Social and Governance report (the "**ESG Report**") on the Company's website on an annual basis. The 2020 ESG Report will be available on or before 31 May 2021. Please view and download the ESG Report from the Company's website at www.global-sweeteners.com under the heading "Investor Relations" and the website of the Stock Exchange.

SHAREHOLDERS' RIGHTS

1. Procedures for the Shareholders to convene an EGM

1.1 The following procedures for the Shareholders to convene an extraordinary general meeting ("**EGM**") are prepared in accordance with article 64 of the Articles of Association:

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

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

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

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

2. Procedures for raising enquiries

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

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

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

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

3.2 The identity of that 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 that Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

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

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

The Directors hereby present their report and the consolidated financial statements of the Group for the Year.

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 sweeteners. Details of the principal activities of the principal subsidiaries are set out in note 32 to the consolidated 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 page 5 to page 15 of this report. In addition, discussions on the Group's environmental policies and performance, are provided in the ESG Report.

The principal risks and uncertainties are disclosed in Corporate Governance Report under section headed "Risk management and internal control" on page 32 on this report. Particulars of important events affecting the reporting entity that have occurred since the end of the financial year are disclosed in Management Discussion & Analysis under section headed "Important event affecting the Group subsequent to the year under review" on page 14 of this report. An indication of likely future development of the Group is disclosed in Management Discussion & Analysis under section headed "Future plans and prospects" on page 15 of this report.

RESULTS AND DIVIDENDS

The Group's loss for the Year and the financial position of the Company and the Group at that date are set out in the consolidated financial statements on page 52 to page 121.

The Board has resolved not to recommend the payment of any dividend for the Year (2019: Nil).

The Company adopts a dividend policy which is set out on page 31 of this report.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements and restated as appropriate, is set out on page 122 of this report. This summary does not form part of the consolidated 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 consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 25 to the consolidated 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 the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders 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 has purchased, redeemed or sold any of the Company's listed securities during the Year.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company does not have reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the "**Companies Law**") of the Cayman Islands. Under the Companies Law of the Cayman Islands, the share premium account of the Company of approximately HK$1,074,879,000 as at 31 December 2020 is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's five largest customers accounted for less than 30.0% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 32.4% of the total purchases for the Year, and purchases from the largest supplier included therein accounted for approximately 9.1% of the total purchases of the Year.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5.0% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by its subsidiaries established in the PRC and the Company was incorporated in the Cayman Islands and is a listed company on the Main Board of the Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of the Cayman Islands, Hong Kong and the PRC.

The Company promotes the culture of adhering to the highest ethical standards of business conduct and commits to comply with all prevailing laws and regulations in all its operating regions. During the Year, the Company was not aware of any material non-compliance or breach of the applicable legislation or regulations that have a significant impact on the Group.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from our key stakeholders which comprise employees, customers, suppliers and shareholders.

Employees

The Group believes its employees serve as the backbone of the Group's development. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards to its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain competitive remuneration packages and career development opportunities to retain current employees.

Customers

The Group has established good and long-term business relationship with the customers, and believe that these customers will continue to place the purchase orders to the Group. Meanwhile, the Group will actively seek for the new customers, in order to minimize the possible negative impact on the Group's business and profitability resulting from the discontinuance of order from any major customer.

Suppliers

The Group holds supply chain management in high regard and strives to select quality suppliers through an open and transparent screening process to achieve mutual benefits. The Group will also review and assess the performance of suppliers annually to decide whether to continue cooperating with them, and such reviews will also be taken into consideration when identifying other suppliers.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders of the Company. The Group is committed to fostering business developments for achieving the sustainable growth.

DIRECTORS

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

Executive Directors:
Zhang Zihua
Tai Shubin *(appointed on 17 December 2020)*

Independent non-executive Directors:
Fan Yeran *(appointed on 22 July 2020)*
Fong Wai Ho
Lo Kwing Yu
Wen Xia *(resigned on 22 July 2020)*

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. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Zhang Zihua, being an executive Director, and Mr. Fong Wai Ho, being an independent non-executive Director, will retire as Directors and, being eligible, will offer themselves for re-election as Directors at the AGM.

In addition, pursuant to article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office until the next following general meeting of the Company (in the case of a Director appointed to fill a casual vacancy) or the next AGM (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. Tai Shubin, being an executive Director and Mr. Fan Yeran, being an independent non-executive Director will end at the AGM. Mr. Tai Shubin and Mr. Fan Yeran being eligible, will offer themselves for re-election as Directors at the AGM.

The Company has received annual confirmations from each of Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu of their independence pursuant to rule 3.13 of the Listing Rules during the Year. As at the date of this report, the Company still considers all independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 16 to page 17 of this report.

DIRECTORS' SERVICE CONTRACTS

The executive Director, Mr. Zhang Zihua has entered into a service contract with the Company for an initial term of three years which commenced on 23 March 2017 and renewable automatically for successive term of one year. Mr. Tai Shubin has entered into a service contract with the Company for an initial term of one year which commenced on 17 December 2020 and renewable automatically for successive term of one year. Each of the above service contracts may be terminated by either party by giving not less than three months' written notice.

The independent non-executive Directors, Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu have each entered into appointment letters with the Company for an initial term of two years which commenced on 22 July 2020, 31 December 2018 and 3 March 2014, respectively, and are renewable automatically for successive term of one year. Each of the above appointment letters may be terminated by either party by giving not less than three months' written notice.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the continuing connected transactions disclosed in the paragraph headed "Continuing Connected Transactions" on page 43 to page 44 below in which Mr. Zhang Zihua was materially interested, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts 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 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 being in force. The Company has maintained directors' and officers' liability insurance throughout the Year, which provides appropriate cover on certain legal actions brought against its directors and officers arising out of corporate activities.

MANAGEMENT CONTRACTS

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

CONTRACT OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" on page 43 to page 44 of this report, there was no other contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the Year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquired benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Remarks:

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

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

(c) These shares are registered in the name of or deemed to be interested by GBT, of which the issued share capital is beneficially owned as to approximately 35.2% by Modern Agricultural as at the date of this report. The entire issued capital of Modern Agricultural is held by Modern Agricultural Industry Investment Holdings Limited ("**Modern Agricultural Holdings**") which is in turn wholly-owned by Jilin Province Modern Agricultural Industry Investment Fund (LLP) ("**PRC LLP**"). The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited ("**GP**"). As at the date of this report, 60.0% of the investment capital of PRC LLP is owned by Nongtou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of the Company. Nongtou is controlled by 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province*) ("**Jilin SASAC**"). Each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the interest held by GBT.

As of 31 December 2020, none of the Directors nor chief executives of the Company had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had the following connected transactions or continuing connected transactions with the GBT Group. As GBT holds in aggregate 64.04% interest in the share capital of the Company, the below transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules.

Sourcing of utilities services

Pursuant to the new utilities master supply agreement dated 28 February 2019 (the "**New Utilities Master Supply Agreement**"), the GBT Group provided utilities services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Group's production plants at Changchun on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. Under the New Utilities Master Supply Agreement, the fees payable by the Group shall be settled on a monthly basis and shall be payable by the Group within 90 days after the date of the relevant invoice issued by the GBT Group. During the Year, the GBT Group charged the Group approximately HK$1.7 million for the provision of these utilities services.

Purchase of corn starch and other raw materials

Pursuant to the new corn starch and other raw materials master purchase agreement dated 28 February 2019 (the "**New Corn Starch and Other Raw Materials Master Purchase Agreement**"), the Group has been sourcing corn starch either in the form of starch powder or starch slurry and other raw materials, such as enzymes, from the GBT Group as principal production materials for the Group's production. Under the New Corn Starch and Other Raw Materials Master Purchase Agreement, the prices shall be from time to time determined by the relevant members of the Group and the GBT Group on arm's length basis and with reference to the prevailing market prices of corn starch and other raw materials, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would be set out in the purchase order for each order to be placed under the New Corn Starch and Other Raw Materials Master Purchase Agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. During the Year, purchase of corn starch and other raw materials from the GBT Group by the Group amounted to approximately HK$0.8 million.

Sales of corn sweeteners

Pursuant to the master sales agreement dated 28 February 2019 (the "**Master Sales Agreement**"), the Group has agreed to sell corn sweeteners to the GBT Group. Under the Master Sales Agreement, the prices shall be the prevailing market prices of corn sweeteners so as to ensure that the selling price and other terms of the contract constituted by the purchase order shall be on normal and usual commercial terms and are no more favourable as those applicable to the supply of the same type and quality of corn sweeteners for comparable quantity by the Group to independent customer(s). The payment terms for the products would be set out in the purchase order for each order to be placed under the Master Sales Agreement, provided that the selling price shall be payable by the relevant member of the GBT Group within 60 days after the date of the relevant invoice issued by the relevant member of the Group. During the Year, sale of corn sweeteners from the Group to the GBT Group amounted to approximately HK$0.1 million.

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

Save for the aforementioned continuing connected transactions and connected transactions disclosed in this report, the related party transactions disclosed in note 29 to the consolidated financial statements are either exempted connected continuing transactions or non-exempted continuing connected transactions which have complied with the requirements of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, no Director 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 were appointed as the Directors to represent the interests of the Company and/or the Group.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

(1) Reference is made to the joint announcement of the Company and GBT dated 21 September 2018. Under a loan agreement (the "**Loan Agreement**") entered into between 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.) ("**Jinzhou Dacheng**"), which is an indirect wholly-owned subsidiary of the Company, and 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*) (the "**Lender**") in respect of a twelve month fixed term loan due in December 2018 (the "**Loan**"), Jinzhou Dacheng was required to satisfy certain financial covenants, failure to comply with such 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. The Loan has been guaranteed by the Company and certain members of the Group have also provided guarantees and securities to secure the Loan. Jinzhou Dacheng has failed to fulfill certain financial covenants under the Loan Agreement. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the Group. As at the date of this report, certain financial covenants under the Loan Agreement have yet to be fulfilled, and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement and the outstanding principal amount under the Loan Agreement is approximately RMB19.8 million as at the date of this report.

(2) Reference is made to the joint announcement of the Company and GBT dated 4 May 2020. Under the various loan agreements (collectively, the "**Yuancheng Loan Agreements**") entered into between Jinzhou Yuancheng, and each of 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) and 中國銀行股份有限公司錦州港支行 (Jinzhou Branch of Bank of China*) (collectively, the "**Yuancheng Lenders**") for the aggregate principal amount of RMB219.9 million (collectively, the "**Yuancheng Loans**"), Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loans immediately due and payable. As at the date of this report, Jinzhou Yuancheng has failed to fulfill certain financial covenants under the Yuancheng Loan Agreements. Such breach entitles the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the Group. As at the date of this report, Jinzhou Yuancheng has yet to receive any waiver from the Yuancheng Lenders and the outstanding principal amount under the Yuancheng Loan Agreements is approximately RMB219.9 million as at the date of this report.

(3) Reference is made to the joint announcement of the Company and GBT dated 23 December 2020 regarding the fixed-term loan under a loan agreement entered into between Dihao Foodstuff and 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.*) ("**Nongan Branch ABC**") with aggregate outstanding principal amount of RMB180.0 million, together with respective outstanding interest have become immediately due and payable before their maturity date in June 2021 in contemplation of the debt restructuring plan of the Group and the GBT Group. Dihao Foodstuff has defaulted in the repayment of such loan. The maximum liability guaranteed by the Company is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreement. Dihao Foodstuff and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*)("**Dihao Crystal Sugar**") have also provided collaterals to secure such loan. As at the date of this report, the outstanding principal under such loan agreement is RMB180.0 million.

In addition, such default in repayment of such loans by the Group may also trigger cross default of other loan agreements entered into by the Group.

As disclosed in the joint announcement of the Company and GBT dated 23 December 2020, the transfer agreement entered into between 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China., Ltd.*) ("**Jilin Branch ABC**") and China Cinda, Jilin Branch ABC (acting on behalf of Nongan Branch ABC) has agreed to sell to China Cinda, and China Cinda has agreed to purchase, all of its rights and benefits of the loans owed by the Group and the GBT Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") at a consideration of approximately RMB414.7 million. The ABC Transferred Loans include, among others, the loan mentioned above which amounted to RMB180.0 million.

The Company, together with GBT, will endeavour to facilitate the implementation of the debt restructuring plan for the ABC Transferred Loans under similar arrangement to the Repurchase Agreements. The Board expects that after the completion of the debt restructuring, the financial position of the Group and the GBT Group will be significantly improved.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

As announced by the Company on 31 March 2015, financial guarantees were first granted by the Guarantor Subsidiaries in respect of the indebtedness of Dajincang due to 中國銀行股份有限公司長春偉峰國際支行 (Bank of China Changchun Weifeng International Branch*) ("**Weifeng BOC**") between November 2010 to March 2015.

As disclosed in the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018, Dajincang still did not have sufficient financial resources to repay the Dajincang Indebtedness with an aggregate outstanding principal amount of RMB2.49 billion, together with outstanding interest (that is, the Dajincang Indebtedness), that was guaranteed by the Guarantor Subsidiaries to Weifeng BOC. The maximum guaranteed amount was RMB2.5 billion.

As disclosed in the joint announcement of the Company and GBT dated 25 February 2020, the Group has been notified by BOC Jilin Branch in mid-February 2020 that it has entered into a transfer agreement with China Cinda in relation to the BOC Transferred Loans which included the Dajincang Indebtedness guaranteed by the Guarantor Subsidiaries. As further disclosed in the joint announcement of the Company and GBT dated 18 January 2021, China Cinda has transferred the BOC Transferred Loans to Changchun Rudder. Subsequently, Dajincang entered into a Repurchase Agreement with Changchun Rudder on 26 March 2021, pursuant to which Changchun Rudder had agreed to sell to Dajincang, and Dajincang had agreed to purchase, all of the rights and benefits of the Dajincang Indebtedness.

The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreement entered into between Dajincang and Changchun Rudder, all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GBT dated 26 March 2021 and 31 March 2021.

SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

Updates on the suspension of operation of certain subsidiaries of the Group and the impact of COVID-19 on the Group's business

Reference is made to the Suspension of Operation Announcements. Due to the poor sentiment of sweeteners market in Northeast China, the COVID-19 pandemic and the significant increase in the domestic corn price, the overall demand for corn refined products has been negatively affected as downstream consumption shrank. The Board, having considered the pros and cons of continuing the upstream operation of the Group based on the then available financial information of the Group and assessed the then current market conditions, concluded that it was more favourable for the Group to suspend its upstream operation in the Jinzhou site. In addition, the suspension of the upstream operation of GBT in the Xinglongshan site has cut off the supply of corn starch since the last quarter of 2019. Together with the poor sentiments in the sweeteners market as a result of the economic slowdown and the COVID-19 pandemic, the Board concluded that it was more favourable for the Group to continue the suspension of its downstream operations. As such, the operations of Dihao Foodstuff and Jinzhou Dacheng have also been suspended.

The COVID-19 pandemic has also brought about concerns in relation to food security in China. The stockpiling of corn by grain traders in the PRC and the relaxation of extra import tariffs on out-of-quota sugar are expected to continue in 2021. As such, domestic corn price is expected to remain at high level in 2021; and domestic sugar/sweeteners producers will continue to face keen competition from importers from other countries. The delay in transportation as a result of lockdowns, the tension between China and the US and other trade restrictions may also pose challenges to the Group's export business.

As at the date of this report, the overall operation of the Jinzhou site and the Xinglongshan site remained suspended. The management of the Group expects that the COVID-19 pandemic will continue to put pressure on the Group's business and affect the operations of the Group. The continued suspension of operation or low facility utilisation rate had an impact on the performance and financial positions of the Group in various aspects. The management of the Group will continue to assess the impact of the COVID-19 pandemic on the financial positions of the Group and closely monitor the market conditions and the financial conditions of the Group, and will ensure that the production operation of such subsidiaries will resume as soon as possible to the extent practicable.

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2020 Interim Report in relation to, among others, the suspension and relocation of the production facilities of the Group in Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

Due to the challenging economic environment and the continued impact of the COVID-19 pandemic, the Group will continue to assess the changing market conditions and the progress of the resumption of the Relevant Properties so as to update and revise the feasibility studies for submission to, among others, the relevant government bodies for approval. As such, the updated time frame is revised as follows:

Products of the Group to which the production facilities relate	Production capacity of the relevant production facilities to be relocated (mtpa)	Expected time for the relocation of production facilities
Crystallised glucose*	100,000	Pending the availability of capital and favourable market condition
Corn refinery*	600,000	Pending the availability of capital and favourable market condition

* The expected time for relocation of production facilities is subject to the final decision of the management from time to time taking into account the relevant product markets and the obtaining of the approval from, among others, the relevant government bodies on the feasibility studies. The timetable may thus change accordingly and the Company will provide update to its shareholders and potential investors by way of announcement as and when appropriate.

AUDITOR

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

ON BEHALF OF THE BOARD

Zhang Zihua
Acting Chairman

Hong Kong
31 March 2021

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Global Sweeteners Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on page 52 to page 121, which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

As a result of similar limitations of audit scope as mentioned below, a disclaimer of opinion was expressed by us in our report dated 26 March 2020 on the consolidated financial statements of the Group for the year ended 31 December 2019.

(i) Financial guarantee contracts

As mentioned in notes 2.2 and 26 to the consolidated financial statements, a subsidiary of the Company, together with certain fellow subsidiaries, had jointly provided corporate guarantees (the "**Financial Guarantee Contracts**") in connection with financing facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2020 and 2019. In addition, an indirect major shareholder of the ultimate holding company of the Company provided a confirmation in writing that it will undertake all the liabilities that may arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the "**Confirmation**"). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As the management of the Company had not developed and applied an appropriate accounting policy for the Confirmation and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmation at 31 December 2020 and 2019 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2019 and 2020, 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 2020.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

(ii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2020, the Group had net current liabilities and capital deficiency of HK$885 million and HK$425 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$9 million for the year ended 31 December 2020. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2020. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

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

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

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

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

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

Our responsibility is to conduct an audit of the consolidated financial statements of the Group 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.

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

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

31 March 2021

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

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	769,024	1,956,820
Cost of sales		(691,158)	(1,749,180)
Gross profit		77,866	207,640
Other income and gains	5	309,129	18,371
Selling and distribution costs		(61,252)	(180,386)
Administrative expenses		(94,741)	(111,807)
Other expenses		(111,413)	(38,120)
Finance costs	7	(110,103)	(75,672)
PROFIT (LOSS) BEFORE TAX	6	9,486	(179,974)
Income tax (expenses) credit	10	(18,212)	17,404
LOSS FOR THE YEAR		(8,726)	(162,570)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		(12,097)	11,657
Reclassification adjustment in respect of exchange reserve upon deregistration of a subsidiary		401	–
		(11,696)	11,657
Items that will not be reclassified subsequently to profit or loss:			
Gain on properties revaluation	13	–	70,544
Income tax effect		–	(17,636)
		–	52,908
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX		(11,696)	64,565
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(20,422)	(98,005)

	Notes	2020 HK$'000	2019 HK$'000
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(8,726)	(162,570)
Non-controlling interests		—	—
		(8,726)	(162,570)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the Company		(19,991)	(98,142)
Non-controlling interests		(431)	137
		(20,422)	(98,005)
LOSS PER SHARE	12		
Basic		HK(0.6) cents	HK(10.6) cents
Diluted		HK(0.6) cents	HK(10.6) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	622,975	806,693
Right-of-use assets	14	68,023	130,781
Deposits paid for acquisition of property, plant and equipment		16	225
Intangible assets	15	1,704	1,704
		692,718	939,403
CURRENT ASSETS			
Inventories	16	61,602	193,035
Trade and bills receivables	17	96,047	190,528
Prepayments, deposits and other receivables	18	432,876	45,188
Cash and bank balances	19	21,281	30,820
		611,806	459,571
CURRENT LIABILITIES			
Trade and bills payables	20	253,200	393,096
Other payables and accruals	21	316,329	253,740
Lease liabilities		1,094	2,309
Interest-bearing bank and other borrowings	22	811,039	762,526
Due to fellow subsidiaries	29(ii)	90,804	136,267
Tax payables		24,434	22,929
		1,496,900	1,570,867
NET CURRENT LIABILITIES		(885,094)	(1,111,296)
TOTAL ASSETS LESS CURRENT LIABILITIES		(192,376)	(171,893)

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	22	184,524	200,000
Lease liabilities		–	1,094
Deferred income	23	27,202	27,567
Deferred tax liabilities	24	20,756	10,857
		232,482	239,518
NET LIABILITIES		(424,858)	(411,411)
CAPITAL AND RESERVES			
Share capital	25	152,759	152,759
Reserves		(571,392)	(558,376)
Deficit attributable to owners of the Company		(418,633)	(405,617)
Non-controlling interests		(6,225)	(5,794)
TOTAL DEFICIT		(424,858)	(411,411)

These consolidated financial statements on page 52 to page 121 were approved and authorised for issue by the board of directors on 31 March 2021 and signed on its behalf by

Zhang Zihua
Director

Tai Shubin
Director

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Properties revaluation 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 deficit HK$'000
At 1 January 2020	152,759	1,074,879	118,081	67,910	326,874	(2,146,120)	(405,617)	(5,794)	(411,411)
Loss for the year	–	–	–	–	–	(8,726)	(8,726)	–	(8,726)
Other comprehensive (loss) income for the year:									
– Exchange realignment	–	–	–	–	(11,666)	–	(11,666)	(431)	(12,097)
– Reclassification adjustment in respect of exchange reserve upon deregistration of a subsidiary	–	–	–	–	401	–	401	–	401
Total comprehensive loss for the year	–	–	–	–	(11,265)	(8,726)	(19,991)	(431)	(20,422)
Transfer	–	–	–	(226)	–	226	–	–	–
Realised upon resumption of revalued assets	–	–	(20,925)	–	–	27,900	6,975	–	6,975
	–	–	(20,925)	(226)	–	28,126	6,975	–	6,975
At 31 December 2020	152,759	1,074,879*	97,156*	67,684*	315,609*	(2,126,720)*	(418,633)	(6,225)	(424,858)

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Properties revaluation 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 deficit HK$'000
At 1 January 2019	152,759	1,074,879	65,173	67,820	315,354	(1,983,460)	(307,475)	(5,931)	(313,406)
Loss for the year	–	–	–	–	–	(162,570)	(162,570)	–	(162,570)
Other comprehensive income for the year:									
– Gain on properties revaluation, net of deferred tax	–	–	52,908	–	–	–	52,908	–	52,908
– Exchange realignment	–	–	–	–	11,520	–	11,520	137	11,657
Total comprehensive income (loss) for the year	–	–	52,908	–	11,520	(162,570)	(98,142)	137	(98,005)
Transfer	–	–	–	90	–	(90)	–	–	–
At 31 December 2019	152,759	1,074,879*	118,081*	67,910*	326,874*	(2,146,120)*	(405,617)	(5,794)	(411,411)

* These reserve accounts comprise the negative reserves of HK$571,392,000 (2019: HK$558,376,000) in the consolidated statement of financial position.

SHARE PREMIUM

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

PROPERTIES REVALUATION RESERVE/EXCHANGE RESERVE

These reserves are dealt with in accordance with the respective accounting policies as set out in note 2.5 to the consolidated financial statements.

STATUTORY RESERVE FUND

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

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) generated from operations	28(a)	(20,100)	22,011
Interest received		251	427
Tax paid		(349)	(864)
Net cash (used in) generated from operating activities		(20,198)	21,574
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for acquisition of property, plant and equipment		—	(225)
Purchases of property, plant and equipment		(9,813)	(18,652)
Proceeds from disposal of property, plant and equipment		1,791	328
Compensation for resumption of the Dihao Properties received		112,360	—
Net cash outflow on deregistration of a subsidiary	33	(1)	—
Net cash generated from (used in) investing activities		104,337	(18,549)
CASH FLOWS FROM FINANCING ACTIVITIES	28(b)		
Proceeds from new interest-bearing bank and other borrowings		305,618	757,857
Repayment of interest-bearing bank and other borrowings		(339,326)	(782,788)
Interest paid		(25,559)	(55,038)
Increase in an amount due to the ultimate holding company		133,460	99,519
Decrease in amounts due to fellow subsidiaries		(168,805)	(90,818)
Decrease in pledged bank deposits		—	79,433
Net cash (used in) generated from financing activities		(94,612)	8,165
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(10,473)	11,190
Cash and cash equivalents at beginning of year		30,820	20,120
Effect of foreign exchange rate changes, net		934	(490)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	21,281	30,820

1. CORPORATE INFORMATION

Global Sweeteners Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the manufacture and sale of corn refined products and corn sweeteners. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2020 (the "**Year**").

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

2.1 BASIS OF PREPARATION

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

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 2.3 to the consolidated financial statements. A summary of the principal accounting policies adopted by the Group is set out in note 2.5 to the consolidated financial statements.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$8.7 million (2019: approximately HK$162.6 million) for the year ended 31 December 2020 and as at that date, the Group had net current liabilities of approximately HK$885.1 million (31 December 2019: approximately HK$1,111.3 million) and net liabilities of approximately HK$424.9 million (31 December 2019: approximately HK$411.4 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts (the "**Financial Guarantee Contracts**") as discussed in note 26 to the consolidated financial statements granted by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), a wholly-owned subsidiary of the Company, and certain subsidiaries of the GBT Group (collectively, the "**Guarantor Subsidiaries**"), for the benefit of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") for the indebtedness of Dajincang with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest (the "**Dajincang Indebtedness**") 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 and based on the recommendations of the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

2.2 GOING CONCERN *(continued)*

(1) Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position

As disclosed in the joint announcement of the Company and GBT dated 25 February 2020 and the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**"), subsequent to the completion of the transfer of all the rights and benefits of the loans of the Group and the GBT Group which included, among others, the loans of the Group in the amount of approximately RMB198.6 million, with the outstanding interest (the "**GSH Indebtedness**"), the loans of the GBT Group (excluding the Group) in the amount of approximately RMB1.3 billion with the outstanding interest (the "**GBT Indebtedness**") and the Dajincang Indebtedness (collectively, the "**BOC Transferred Loans**") from 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) ("**BOC Jilin Branch**") to 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**China Cinda**"), the Company and GBT continued to explore the next step of the debt restructuring plan with China Cinda. At the same time, the management of the Group and the GBT Group endeavoured to facilitate similar arrangement of the BOC Transferred Loans for the outstanding debts owed to other major lending banks.

Subsequently, as announced by the Company and GBT on 23 December 2020, each of 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) ("**Jilin Branch ABC**") and 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) ("**Jilin Branch CCB**") announced that they have each reached a transfer agreement with China Cinda to transfer all rights and benefits of certain loans. Jilin Branch ABC has transferred all of its rights and benefits of the loans owed by, amongs others the Group and the GBT Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and the aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") to China Cinda at a consideration of approximately RMB414.7 million; and Jilin Branch CCB has transferred all of its rights and benefits of the loans owed by the GBT Group with an aggregate outstanding principal amount of approximately RMB1,983.5 million with aggregate outstanding interest of approximately RMB128.5 million (the "**CCB Transferred Loans**") to China Cinda at a consideration of approximately RMB583.6 million.

Furthermore, as announced in a joint announcement of the Company and GBT on 18 January 2021, China Cinda has transferred the BOC Transferred Loans to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"), a company controlled by 長春市人民政府 (The Changchun Municipal Government*) (the "**Local Government**"). After the completion of the transfer of the BOC Transferred Loans to Changchun Rudder, the management of the Group and the GBT Group actively discussed with Changchun Rudder and the Local Government on debt restructuring with an aim to achieve a significant improvement of the financial position of the Group and the GBT Group. Under the applicable law in the PRC, the debtors are required to purchase the loans owed by themselves in order to discharge the debts and liabilities owed to them. As such, each of the Group, the GBT Group and Dajincang (collectively, the "**BOC Borrowers**") entered into a repurchase agreement with Changchun Rudder on 26 March 2021 (collectively, the "**Repurchase Agreements**" and each, a "**Repurchase Agreement**"), pursuant to which Changchun Rudder had agreed to sell to each of the BOC Borrowers, and each of the BOC Borrowers had agreed to purchase, all of the rights and benefits of their respective portion of the BOC Transferred Loans. The considerations of the repurchases of the GSH Indebtedness and the GBT Indebtedness amounted to RMB113,510,000 and RMB701,490,000, respectively, which will be financed by the proceeds from the compensation for the resumption of the land and buildings located in Luyuan District, Changchun, the PRC (the "**Relevant Properties**"). As security for their respective payment obligations under the Repurchase Agreements upon receipts of the compensation payment from 長春市綠園區人民政府 (The People's Government of Luyuan District of Changchun City*) (the "**Luyuan Government**"), amongst others, each of the Group and the GBT Group have provided certain land and buildings owned by them respectively as collaterals under a property pledge contract executed in favour of Changchun Rudder on 26 March 2021.

2.2 GOING CONCERN *(continued)*

(1) Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position *(continued)*

Completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreement entered into between Changchun Rudder and Dajincang, all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GBT dated 26 March 2021 and 31 March 2021.

The board of directors expected that upon the completion of the Repurchase Agreements, the financial position of the Group and the GBT Group will improve significantly. The Company, together with GBT, will endeavour to facilitate arrangement similar to the Repurchase Agreements for the debt restructuring plan of the ABC Transferred Loans and the CCB Transferred Loans. It is currently expected that the repurchases of the ABC Transferred Loans and the CCB Transferred Loans could be completed by the end of 2021, pending and subject to the internal approval from the respective creditors and relevant local government authorities.

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

As detailed in the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**") and the 2020 Interim Report, in respect of the sale and purchase of the Relevant Properties, the Group has received an official document dated 28 April 2018 from the relevant authorities confirming the Relevant Properties is part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Subsequently, an execution announcement for the redevelopment under the PRC's Slum Redevelopment Policy was also issued on 30 October 2019.

On 30 September 2020, Dihao Foodstuff entered into a compensation agreement with the Luyuan Government, pursuant to which Dihao Foodstuff shall surrender the properties owned by Dihao Foodstuff with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres in Luyuan District (the "**Dihao Properties**") to the Luyuan Government upon the signing of the agreement (the "**Dihao Resumption**"). Dihao Foodstuff is expected to receive a total compensation of approximately RMB443.0 million (equivalent to approximately HK$497.7 million). As at the date of this report, all the compensation in the amount of RMB443.0 million has been received by Dihao Foodstuff. For details of the Dihao Resumption, please refer to the joint announcements made by the Company and GBT on 24 August 2020 and 30 September 2020.

It is expected that the resumption of the remaining part of the Relevant Properties by the Luyuan Government will be conducted in stages according to the relevant government policy. The board of directors expects that the proceeds from the resumption of the Relevant Properties will help to relieve the financial and cash flow pressure of the Group during the period of suspension and provide part of the funding for the capital expenditure for the relocation of the Group's production facilities.

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

The Group has taken various measures to minimise operating cash outflow and secure financial resources during market turbulence and economic slowdown as a result of, among others, the outbreak of the coronavirus disease ("**COVID-19**"). During the Year, the Group has suspended the production operation of most of the Group's production facilities and consolidated its resources in the Shanghai production site.

2.2 GOING CONCERN *(continued)*

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

The Group has received a renewed written confirmation dated 30 March 2021 from 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.) ("**Nongtou**", together with its subsidiaries, the "**Nongtou Group**") that it would continue to provide financial support to the Group and the GBT Group in the following 24 months on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group has secured the supply of corn kernels through the execution of corn purchasing contract with the Nongtou Group during the Year to ensure a sufficient supply of corn kernels when the Group's upstream operation resumes. During the Year, the Group purchased approximately 11,000 MT of corn kernels from the Nongtou Group which aggregately accounted for approximately 21.4% of the total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 31 December 2020 amounted to approximately RMB2,347.4 million (31 December 2019: approximately RMB2,102.0 million). It is tasked to consolidate the state-owned investments in the agricultural sector in the Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, to provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group and the GBT Group.

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 management of the Company and the development of the events as described above. The directors of the Company proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group will have sufficient working capital for at least 12 months from the date of this report. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

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

2.3 CHANGES IN ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

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

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform — Phase 1
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

2.3 CHANGES IN ACCOUNTING POLICIES *(continued)*

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform — Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The amendments do not affect lessors.

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

2.4 NEW AND REVISED HKFRSs NOT YET ADOPTED

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

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2 [1]
Amendments to HKAS 16	Proceeds before Intended Use [2]
Amendments to HKAS 37	Cost of Fulfilling a Contract [2]
Amendments to HKFRS 3	Reference to the Conceptual Framework [2]
Annual Improvements to HKFRSs	2018–2020 Cycle [2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 The effective date to be determined

Except for the amendments to HKFRS 3, the amendments to HKAS 1 and the amendments to HKFRS 10 and HKAS 28 which are explained below, the other new/revised HKFRSs are not expected to be relevant to the Group.

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Amendments to HKFRS 10 and HKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The standards are amended such that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and a partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Subsidiaries

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

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

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

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

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("**CGU(s)**"), or groups of CGUs, 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 CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) 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 CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposal of and the portion of the CGU retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of the parent of the Group.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

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

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. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

An item of property, plant and equipment, is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

Intangible assets — Golf club membership

Golf club membership is stated at cost less impairment losses, if any. The carrying amount of individual golf club membership is reviewed at the end of each reporting period to assess whether the recoverable amount 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 recoverable amount. The amount of the reduction is recognised as an expense in profit or loss.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As lessee (continued)

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	2.0% to 3.7%
Factories and office	25.0% to 33.3%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As lessee (continued)

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to HKFRS 16: COVID-19-Related Rent Concessions and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As lessee (continued)

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Financial instruments

Financial assets

Recognition and derecognition

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

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) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group 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.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include cash and bank balances, trade and bills receivables and financial assets included in prepayments, deposits and other receivables.

Financial liabilities

Recognition and derecognition

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

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.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, due to fellow subsidiaries and lease liabilities. All financial liabilities 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.

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 payables at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated).

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15 and (ii) the amount of the loss allowance determined in accordance with the expected credit losses ("**ECL**") model under HKFRS 9, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped on one or more of the following bases of shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral, if any

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items *(continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. The Group considers the changes in the risk that the specified debtor will default on the contract.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

As detailed in note 30 to the consolidated financial statements, financial instruments including bank balances are determined to have low credit risk.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets and other items *(continued)*

Simplified approach of ECL

For trade and bills receivables without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write off. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any recovery made is recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods

The Group engages in the manufacture and sale of corn refined products and corn sweeteners.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers within HKFRS 15 *(continued)*

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good (or a bundle of goods) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good either on its own or together with other resources that are readily available to the customer (i.e. the good is capable of being distinct); and

(b) the Group's promise to transfer the good to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of corn refined products and corn sweeteners is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers within HKFRS 15 *(continued)*

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credited-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract assets and contract liabilities *(continued)*

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

In accordance with the standard payment terms of the Group, payments are normally not due or received from the customer until when the goods are delivered, although the Group may request from the customer the whole or some of the contractual payments before the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue.

Contract costs

Contract costs are either incremental costs of obtaining or costs (other than those that are accounted for as inventories, property, plant and equipment, or intangible assets) to fulfil contracts with customers. Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses.

The costs to obtain contracts are capitalised if they are incremental and recoverable, except to the extent that the practical expedient in paragraph 94 of HKFRS 15 is applied. The capitalised costs are amortised on a straight–line basis over the term of the specific existing and anticipated contracts to which the costs relate. The Group applies the practical expedient in HKFRS 15 and recognises the incremental costs as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

The costs to fulfil contracts are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, generate or enhance resources that will be used to provide goods in the future, and are expected to be recovered. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred. The costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods under the specific existing and anticipated contracts to which the costs relate.

An impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive in exchange for the goods to which the asset relates; less (b) the costs that relate directly to providing those goods and that have not been recognised as expenses. A reversal of impairment loss is recognised in profit or loss when the impairment conditions no longer exist or have improved provided the increased carrying amount of the asset shall not exceed the amount that would have been determined if no impairment loss had been recognised previously.

Employee benefits

Short term employee benefits

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits

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

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the 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.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements

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

Deferred tax liability for withholding taxes

The Group determines that no dividends are to be distributed by the PRC subsidiaries to the Company or any subsidiary outside the PRC in the foreseeable future. Therefore, no deferred tax liability for withholding taxes has been recognised in these consolidated financial statements. Please refer to note 24 to the consolidated financial statements for more details of the unrecognised deferred tax liability for withholding taxes.

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 with reference to valuation performed by an independent professional valuer. The valuation of leasehold buildings is performed using the depreciated replacement cost (the "**DRC**") approach. The DRC approach requires an estimation of the new replacement cost of the assets from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Estimation uncertainty *(continued)*

Useful lives and residual values of property, plant and equipment

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

Impairment of property, plant and equipment and right-of-use assets

Determining an appropriate amount of an impairment requires an estimation of recoverable amounts of relevant property, plant and equipment, right-of-use assets or the respective CGU to which the property, plant and equipment and right-of-use assets belong, which is the higher of value in use and fair value less cost of disposal. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or the CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an additional impairment loss may arise.

Loss allowance for ECL

The management of the Company estimates the loss allowance for trade and bills receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and bills receivables. Details of the key assumptions and inputs used in estimating ECL are set out in note 30 to the consolidated financial statements.

Write-down of inventories

The Group reviews ageing analysis and condition of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving items that are no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

Estimation uncertainty *(continued)*

Income taxes

At 31 December 2020, a deferred tax asset of approximately HK$139.8 million (2019: HK$40.2 million) in relation to deductible temporary differences was recognised in the consolidated statement of financial position to the extent of the recognised taxable temporary difference. No deferred tax asset has been recognised on the tax losses of HK$652.7 million (2019: HK$1,010.0 million) and the remaining deductible temporary difference of HK$270.8 million (2019: HK$325.3 million) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits or taxable temporary differences are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two (2019: two) reportable operating segments as follows:

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

(b) the corn sweeteners segment which comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup and maltodextrin.

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Segment results

Year ended 31 December 2020

	Corn refined products HK$'000	Corn sweeteners HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	210,930	558,094	769,024
Intersegment sales	15,641	1,162	16,803
	226,571	559,256	785,827
Reconciliation:			
Elimination of intersegment sales			(16,803)
Revenue			769,024
Segment results	(73,872)	202,509	128,637
Reconciliation:			
Unallocated bank interest income			251
Corporate and other unallocated expenses			(9,299)
Finance costs			(110,103)
Profit before tax			9,486
Income tax expenses			(18,212)
Loss for the year			(8,726)

(b) Other segment information

Year ended 31 December 2020

	Corn refined products HK$'000	Corn sweeteners HK$'000	Total HK$'000
Capital expenditure	2,906	7,053	9,959
Depreciation			
— Property, plant and equipment	31,770	40,907	72,677
— Right-of-use assets (a)	3,637	3,658	7,295
(Gain) Loss on disposal of property, plant and equipment, net	(34)	4,479	4,445
Gain on resumption of the Dihao Properties	—	(289,356)	(289,356)
Reversal of write-down of inventories, net	—	(2,586)	(2,586)
Impairment of trade and bills receivables, net	162	23	185
Impairment of prepayments, deposits and other receivables, net	736	3,852	4,588
Write-off of property, plant and equipment	—	2,404	2,404
Impairment of deposits paid for acquisition of property, plant and equipment	63	—	63
Waiver of payables	(1,268)	—	(1,268)

4. OPERATING SEGMENT INFORMATION *(continued)*

(a) Segment results

Year ended 31 December 2019

	Corn refined products HK$'000	Corn sweeteners HK$'000	Total HK$'000
Segment revenue			
Sales to external customers	1,038,430	918,390	1,956,820
Intersegment sales	192,455	101,967	294,422
	1,230,885	1,020,357	2,251,242
Reconciliation:			
Elimination of intersegment sales			(294,422)
Revenue			1,956,820
Segment results	(25,614)	(66,097)	(91,711)
Reconciliation:			
Unallocated bank interest income			427
Corporate and other unallocated expenses			(13,018)
Finance costs			(75,672)
Loss before tax			(179,974)
Income tax credit			17,404
Loss for the year			(162,570)

(b) Other segment information

Year ended 31 December 2019

	Corn refined products HK$'000	Corn sweeteners HK$'000	Total HK$'000
Capital expenditure	6,415	17,491	23,906
Depreciation			
— Property, plant and equipment	26,601	43,509	70,110
— Right-of-use assets (a)	3,679	5,779	9,458
Loss on disposal of property, plant and equipment, net	—	813	813
Reversal of write-down of inventories, net	(7)	—	(7)
Reversal of impairment of trade and bills receivables, net	—	(619)	(619)
Impairment of prepayments, deposits and other receivables, net	1,776	2,881	4,657
Waiver of payables	—	(1,540)	(1,540)

Remark:

(a) Depreciation of right-of-use assets that was not attributable to any of the above segments amounted to HK$1,832,000 (2019: HK$1,832,000) was included in other unallocated expenses.

4. OPERATING SEGMENT INFORMATION *(continued)*

(c) Geographical information

Revenue information based on locations of customers

	2020 HK$'000	2019 HK$'000
The PRC	742,085	1,811,212
Asian region and others	26,939	145,608
	769,024	1,956,820

Non-current assets information based on locations of assets

	2020 HK$'000	2019 HK$'000
The PRC	691,649	936,502
Hong Kong	1,069	2,901
	692,718	939,403

(d) Information about major customers

There was no revenue from transactions with a single external customer which accounted for 10% or more of the Group's total revenue for the Year (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	769,024	1,956,820

	Notes	2020 HK$'000	2019 HK$'000
Other income and gains			
Amortisation of deferred income	23	2,202	3,761
Bank interest income		251	427
Compensation income		462	1,021
Foreign exchange gain, net		130	850
Gain on resumption of the Dihao Properties	13	289,356	—
Government grants (b)		6,762	3,309
Reversal of impairment of trade and bills receivables, net	30	—	619
Subcontracting income		3,761	3,796
Waiver of payables		1,268	1,540
Others		4,937	3,048
		309,129	18,371

Remarks:

(a) The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time. The amount of revenue recognised for the Year that was included in the contract liabilities at the beginning of the Year was HK$54,062,000 (2019: HK$72,106,000).

(b) Government grants represent rewards to certain subsidiaries of the Company located in the PRC and Hong Kong with no further obligations and conditions to be complied with.

6. PROFIT (LOSS) BEFORE TAX

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

	Notes	2020 HK$'000	2019 HK$'000
Employee benefit expenses (excluding directors' remuneration)			
— Wages and salaries		72,315	91,131
— Pension scheme contributions (a)		13,241	31,216
		85,556	122,347
Cost of inventories sold (b)		691,139	1,741,018
Auditor's remuneration		2,200	2,200
Foreign exchange gain, net		(130)	(850)
Depreciation			
— Property, plant and equipment	13	72,677	70,110
— Right-of-use assets	14	9,127	11,290
Lease payments on short-term leases	14	2,226	—
Loss on disposal of property, plant and equipment, net		4,445	813
Gain on resumption of the Dihao Properties	13	(289,356)	—
Reversal of write-down of inventories, net, included in cost of sales		(2,586)	(7)
Impairment (Reversal of impairment) of trade and bills receivables, net	30	185	(619)
Impairment of prepayments, deposits and other receivables, net		4,588	4,657
Impairment of deposits paid for acquisition of property, plant and equipment, net		63	—
Write-off of property, plant and equipment	13	2,404	—
Loss on deregistration of a subsidiary	33	4,928	—

Remark:

(a) During the Year, the government of the PRC granted reductions or exemptions from pension scheme contributions to certain subsidiaries operating in the PRC due to the COVID-19 pandemic.

(b) Cost of inventories sold includes employee benefit expenses, depreciation and reversal of write-down of inventories amounted to HK$33,586,000 (2019: HK$80,057,000), which are also included in the respective total amounts disclosed separately above for each of these types of income and expenses.

7. FINANCE COSTS

	Notes	2020 HK$'000	2019 HK$'000
Interest on bank and other borrowings		62,620	53,375
Interest on trade payables	20(a), (b)	46,832	20,391
Interest on lease liabilities		92	244
Finance costs for discounted bills receivables		559	1,662
		110,103	75,672

8. DIRECTORS' REMUNERATION

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

	2020 HK$'000	2019 HK$'000
Fees	601	616
Other emoluments:		
Salaries, allowances and benefits in kind	–	–
Pension scheme contributions	–	–
	–	–
	601	616

(a) Executive directors

	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2020			
Executive directors:			
Mr. Zhang Zihua	–	–	–
Mr. Tai Shubin[(1)]	–	–	–
	–	–	–

8. DIRECTORS' REMUNERATION *(continued)*

(a) Executive directors *(continued)*

	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019			
Executive director:			
Mr. Zhang Zihua	–	–	–
	–	–	–

(1) Mr. Tai Shubin was appointed as an executive director of the Company on 17 December 2020.

The management bonus shall be determined pursuant to a mechanism adopted by the board of directors from time to time, or to be determined by the board of directors in its absolute discretion. No bonus was paid to any of the executive directors during the years ended 31 December 2020 and 2019.

(b) Independent non-executive directors

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

	2020 HK$'000	2019 HK$'000
Mr. Fan Yeran[1]	54	–
Mr. Fong Wai Ho	240	240
Mr. Lo Kwing Yu	240	240
Mr. Wang Wenquan[2]	–	68
Mr. Wen Xia[3]	67	68
	601	616

(1) Mr. Fan Yeran was appointed as an independent non-executive director of the Company on 22 July 2020.

(2) Mr. Wang Wenquan resigned as an independent non-executive director of the Company on 28 June 2019.

(3) Mr. Wen Xia was appointed as an independent non-executive director of the Company on 28 June 2019 and resigned on 22 July 2020.

There were no other emoluments payable to the independent non-executive directors of the Company during the years ended 31 December 2020 and 2019.

8. DIRECTORS' REMUNERATION *(continued)*

No emolument was paid by the Group to any of the directors of the Company as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived any emoluments during the years ended 31 December 2020 and 2019.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Year included one (2019: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2019: four) highest paid employees who are not director of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	1,407	1,557
Pension scheme contributions	61	55
	1,468	1,612

The highest paid employees fell within the following band:

	2020 Number of individuals	2019 Number of individuals
Nil to HK$1,000,000	4	4

No emolument was paid or payable by the Group to the highest paid non-director employees as inducement to join or upon joining the Group or as compensation for loss of office. The highest paid non-director employees did not waive any emoluments during the years ended 31 December 2020 and 2019.

10. INCOME TAX EXPENSES (CREDIT)

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Year (2019: Nil). No provision for the PRC enterprise income tax has been made as the subsidiaries operating in the PRC incurred a loss for the Year (2019: The PRC enterprise income tax has been provided at the rate of 25% on the estimated assessable profits of subsidiaries operating in the PRC).

	Note	2020 HK$'000	2019 HK$'000
Current tax			
— The PRC enterprise income tax		—	301
Deferred tax			
— Origination and reversal of temporary differences, net	24	18,212	(17,705)
Income tax expenses (credit)		18,212	(17,404)

10. INCOME TAX EXPENSES (CREDIT) *(continued)*

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

	2020 HK$'000	2019 HK$'000
Profit (Loss) before tax	9,486	(179,974)
Income tax at applicable tax rate	3,146	(38,661)
Non-deductible expenses	4,639	4,098
Tax-exempt revenue	(175)	(399)
Reversal of deferred taxes and recognition of previously unrecognised deferred taxes	19,621	(20,206)
Unrecognised tax losses	34,494	37,764
Utilisation of previously recognised tax losses	(43,513)	—
Income tax expenses (credit)	18,212	(17,404)

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

11. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the Year (2019: Nil).

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the Year attributable to owners of the Company of approximately HK$8,726,000 (2019: HK$162,570,000) and the weighted average number of ordinary shares in issue throughout the Year of 1,527,586,000 shares (2019: 1,527,586,000 shares).

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2019						
At 1 January 2019		498,652	250,659	6,302	43,246	798,859
Additions		528	13,764	3,821	5,793	23,906
Disposals		(123)	(996)	(22)	–	(1,141)
Depreciation	6	(37,022)	(30,741)	(2,347)	–	(70,110)
Gain on properties revaluation		70,544	–	–	–	70,544
Transfer		364	3,149	275	(3,788)	–
Exchange realignment		(8,887)	(5,282)	(174)	(1,022)	(15,365)
At 31 December 2019		524,056	230,553	7,855	44,229	806,693
Reconciliation of carrying amount – year ended 31 December 2020						
At 1 January 2020		524,056	230,553	7,855	44,229	806,693
Additions		–	1,971	2,068	5,920	9,959
Disposals		–	(34)	(1,165)	(5,037)	(6,236)
Resumption		(104,871)	–	–	(39,214)	(144,085)
Depreciation	6	(42,227)	(27,875)	(2,575)	–	(72,677)
Write-off	6	–	(2,404)	–	–	(2,404)
Transfer		–	2,315	–	(2,315)	–
Exchange realignment		12,920	14,793	796	3,216	31,725
At 31 December 2020		389,878	219,319	6,979	6,799	622,975
At 31 December 2019						
At cost		–	1,353,073	33,994	74,760	1,461,827
At valuation		524,056	–	–	–	524,056
Accumulated depreciation and impairment losses		–	(1,122,520)	(26,139)	(30,531)	(1,179,190)
Net carrying amount		524,056	230,553	7,855	44,229	806,693
At 31 December 2020						
At cost		–	1,281,879	29,056	39,512	1,350,447
At valuation		419,728	–	–	–	419,728
Accumulated depreciation and impairment losses		(29,850)	(1,062,560)	(22,077)	(32,713)	(1,147,200)
Net carrying amount		389,878	219,319	6,979	6,799	622,975

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

Leasehold buildings

The leasehold buildings are situated on parcels of land of the Group in the PRC with remaining lease terms ranging from 10 to 51 years.

At 31 December 2020, the applications for building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$109,560,000 (2019: HK$111,636,000) were still in progress.

Had the Group's leasehold buildings been carried under the cost model, their carrying amount at 31 December 2020 would have been approximately HK$297,509,000 (2019: HK$391,002,000).

The Group's leasehold buildings were revalued individually at 31 December 2019 by Roma Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value of HK$524,056,000 based on their then existing use. A gain on properties revaluation of approximately HK$70,544,000 (before deferred tax) was recognised in other comprehensive income and credited to properties revaluation reserve during the year ended 31 December 2019.

The directors of the Company were of the opinion that there were no material differences between the carrying amount and fair value of the leasehold buildings at 31 December 2020. Therefore, no revaluation was performed at that date.

Valuation processes

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold buildings stated at revalued amounts:

	Fair value measurement at 31 December 2019 using			
	Quoted prices in active market (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Industrial properties	—	—	502,167	502,167
Residential properties	—	—	21,889	21,889
	—	—	524,056	524,056

During the years ended 31 December 2020 and 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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

Leasehold buildings *(continued)*

Fair value hierarchy *(continued)*

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

	2020 HK$'000	2019 HK$'000
At 1 January	524,056	498,652
Additions and transfer from construction in progress	—	892
Gain on properties revaluation	—	70,544
Disposals	—	(123)
Resumption	(104,871)	—
Depreciation	(42,227)	(37,022)
Exchange realignment	12,920	(8,887)
At 31 December	389,878	524,056

The gain on properties revaluation for the year ended 31 December 2019 represented the total gain for the year included in other comprehensive income for leasehold buildings held at 31 December 2019.

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 31 December 2019:

Valuation technique	Significant unobservable input	Industrial properties	Residential properties
DRC approach	Construction cost (Renminbi/ square meter)	RMB650-RMB1,800	RMB690-RMB2,200

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

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

Resumption of the Dihao Properties

On 30 September 2020, Dihao Foodstuff entered into a compensation agreement with the Luyuan Government, pursuant to which Dihao Foodstuff shall surrender the Dihao Properties to the Luyuan Government upon the signing of the agreement and Dihao Foodstuff will receive a total compensation of approximately RMB443.0 million (equivalent to approximately HK$497.7 million) as a result of the Dihao Resumption, and all the compensation in the amount of RMB443.0 million has been received by Dihao Foodstuff as at the date of this report.

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

Resumption of the Dihao Properties *(continued)*

Details of the the Dihao Resumption are set out as follows:

	Notes	HK$'000
Compensation received or receivable		497,737
Less:		
Carrying amount of the Dihao Properties surrendered:		
— Leasehold land	14	(61,030)
— Property, plant and equipment		(144,085)
		(205,115)
Other relocation costs		(3,266)
		(208,381)
Gain on resumption of the Dihao Properties	6	(289,356)

14. RIGHT-OF-USE ASSETS

	Notes	Leasehold land HK$'000	Factories and office HK$'000	Total HK$'000
Reconciliation of carrying amount — year ended 31 December 2019				
At 1 January 2019		138,072	8,796	146,868
Depreciation		(6,976)	(4,314)	(11,290)
Exchange realignment		(3,657)	(1,140)	(4,797)
At 31 December 2019		127,439	3,342	130,781
Reconciliation of carrying amount — year ended 31 December 2020				
At 1 January 2020		**127,439**	**3,342**	**130,781**
Depreciation	6	**(6,849)**	**(2,278)**	**(9,127)**
Resumption	13	**(61,030)**	**—**	**(61,030)**
Exchange realignment		**7,394**	**5**	**7,399**
At 31 December 2020		**66,954**	**1,069**	**68,023**
At 31 December 2019				
At cost		226,217	14,681	240,898
Accumulated depreciation		(98,778)	(11,339)	(110,117)
		127,439	3,342	130,781
At 31 December 2020				
At cost		**157,188**	**6,647**	**163,835**
Accumulated depreciation		**(90,234)**	**(5,578)**	**(95,812)**
		66,954	**1,069**	**68,023**

The leasehold land is granted with remaining lease terms ranging from 10 to 51 years and is situated in the PRC.

The Group leases various factories and office premises from fellow subsidiaries for its daily operations with lease terms of 3 to 4 years.

Restrictions or covenants

For leases of factories and office premises, the lease imposes a restriction that, unless approval is obtained from the lessor, the premises can only be used by the Group and the Group is prohibited from selling or pledging the underlying premises. In addition, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

14. RIGHT-OF-USE ASSETS *(continued)*

The Group has recognised the following amounts for the year:

	Note	2020 HK$'000	2019 HK$'000
Lease payments:			
Short-term leases		2,226	—
Expenses recognised in profit or loss	6	2,226	—
Payment of lease liabilities		2,404	4,660
		4,630	4,660

The lease payments were made by crediting the current account with the fellow subsidiaries. There was no cash outflow for leases during the years ended 31 December 2020 and 2019.

15. INTANGIBLE ASSETS

	Golf club membership HK$'000
Reconciliation of carrying amount — years ended 31 December 2020 and 2019	
At 1 January 2020 and 2019 and 31 December 2020 and 2019	1,704
At 31 December 2020 and 31 December 2019	
At cost	3,243
Accumulated impairment losses	(1,539)
	1,704

16. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	53,246	91,915
Finished goods	8,356	101,120
	61,602	193,035

17. TRADE AND BILLS RECEIVABLES

	Note	2020 HK$'000	2019 HK$'000
Trade receivables		175,336	261,314
Bills receivables		—	2,907
		175,336	264,221
Loss allowance	30	(79,289)	(73,693)
		96,047	190,528

The Group normally grants credit terms of 30 to 90 days (2019: 30 to 90 days) to established customers. The trade and bills receivables are mainly denominated in Renminbi.

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

	2020 HK$'000	2019 HK$'000
Within 1 month	59,313	150,015
1 to 2 months	22,942	32,160
2 to 3 months	6,086	4,386
Over 3 months	7,706	3,967
	96,047	190,528

Information about the Group's exposure to credit risks and loss allowance for trade and bills receivables is included in note 30 to the consolidated financial statements.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	7,498	15,071
Deposits and other debtors	1,009	6,740
The PRC value-added tax ("**VAT**") and other tax receivables	16,053	23,377
Receivables from resumption of the Dihao Properties	408,316	—
	432,876	45,188

Information about the Group's exposure to credit risks and loss allowance for other receivables is included in note 30 to the consolidated financial statements.

19. CASH AND BANK BALANCES

	2020 HK$'000	2019 HK$'000
Cash and bank balances	21,281	30,820

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to HK$11,710,000 (2019: HK$22,206,000). Renminbi held by subsidiaries in the PRC is not freely convertible into other currencies. However, under relevant regulations in the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

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

20. TRADE AND BILLS PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables		
— To third parties (a)	83,591	222,854
— To the Nongtou Group (b)	169,609	170,242
	253,200	393,096

Remarks:

(a) At 31 December 2019, the trade payables to third parties included a balance payable to a state-owned supplier of HK$66.8 million, which was unsecured and interest-bearing at 8.0% to 9.0% per annum after the lapse of the credit periods. During the Year, a one-off interest of approximately HK$12.5 million charged at a rate of 14.7% have been charged by this state-owned supplier for the 2019 and 2018 outstanding balances.

In addition, during the Year, Nongtou acquired 100% equity interest of this state-owned supplier and the corresponding balance payable was disclosed in trade payables to the Nongtou Group at 31 December 2020.

(b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 11.0% per annum (2019: 8.5%) after the lapse of the credit periods.

20. TRADE AND BILLS PAYABLES *(continued)*

The Group normally obtains credit terms ranging from 30 to 90 days (2019: 30 to 90 days) from its suppliers.

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

	2020 HK$'000	2019 HK$'000
Within 1 month	20,267	230,752
1 to 2 months	62,268	24,708
2 to 3 months	291	5,833
Over 3 months	170,374	131,803
	253,200	393,096

21. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Payables for purchases of machinery	3,422	3,322
Customer deposits and receipts in advance (a)	23,265	54,062
VAT and other duties payable	108,379	93,671
Accrued expenses	73,087	60,733
Interest payables	108,176	41,952
	316,329	253,740

Remark:

(a) The balance represents the contract liabilities from contracts with customers within HKFRS 15 at the end of the reporting period and the movements (excluding those arising from increases and decreases both occurred within the same year) of the contract liabilities during the year are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	54,062	72,106
Recognised as revenue	(54,062)	(72,106)
Receipt of advances or recognition of receivables	23,265	54,062
At 31 December	23,265	54,062

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2020 and 2019 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020 Effective interest rate %	2020 Maturity	2020 Amount HK$'000	2019 Effective interest rate %	2019 Maturity	2019 Amount HK$'000
Current						
Bank borrowings						
— Unsecured	6.8%-10.0%	On demand/ 2021	267,738	5.5% - 10.0%	2020	249,889
— Secured	6.8%-8.0%	On demand/ 2021	92,587	4.8% - 8.0%	On demand/ 2020	291,970
Other borrowings						
— Secured	5.5%-6.4%	On demand	450,714	3.9%	On demand	220,667
			811,039			762,526
Non-current						
Bank borrowings						
— Secured	7.0%	2022-2023	184,524	4.3%	2021	200,000
			184,524			200,000
			995,563			962,526

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	811,039	762,526
In the second year	4,762	200,000
In the third to fifth years	179,762	—
	995,563	962,526

Remarks:

(a) At 31 December 2020, the Group's bank and other borrowings amounting to HK$727,825,000 (2019: HK$712,637,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group amounted to HK$329,859,000 (2019: HK$551,669,000) and HK$58,077,000 (2019: HK$58,126,000), respectively, and a receivable of the GBT Group amounted to HK$119,048,000 (2019: HK$444,444,000).

(b) At 31 December 2020, the Group's bank and other borrowings amounted to HK$462,500,000 (2019: HK$431,667,000) were secured by corporate guarantee provided by GBT.

(c) At 31 December 2020 and 2019, all of the Group's bank and other borrowings were denominated in Renminbi.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Remarks *(continued)*:

(d) Certain banking facilities are subject to the fulfillment of covenants relating to certain 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. These borrowings were classified as current liabilities even though the directors of the Company do not expect that the lenders would exercise their rights to demand immediate repayment. Further details of the Group's management of liquidity risk are set out in note 30 to the consolidated financial statements. At 31 December 2020, covenants relating to drawn down facilities amounting to HK$285.3 million (2019: HK$22.0 million) had been breached. In addition, the Group has defaulted in the repayment of certain bank and other borrowings of aggregate outstanding principal amount of approximately HK$736.0 million (2019: 242.6 million), including the amount of HK$285.3 million (2019: HK$22.0 million) which had been included in the breach of covenant, such breach of covenants and default in repayment may also trigger cross default provisions in other loan agreements.

23. DEFERRED INCOME

	Note	2020 HK$'000	2019 HK$'000
At 1 January		27,567	31,955
Amortisation	5	(2,202)	(3,761)
Exchange realignment		1,837	(627)
At 31 December		27,202	27,567

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

24. DEFERRED TAX

The movements of the Group's net deferred tax liabilities are as follows:

	Note	2020 HK$'000	2019 HK$'000
At 1 January		10,857	10,759
Charged (Credited) to profit or loss	10	18,212	(17,705)
(Credited) Charged to equity/ other comprehensive (loss) income		(6,975)	17,636
Exchange realignment		(1,338)	167
At 31 December		20,756	10,857

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Depreciation allowances	65,420	40,235	14,120	12,668
Deferred income arising from resumption of the Dihao Properties	–	–	114,954	–
Revaluation of leasehold buildings	–	–	31,449	38,424
Tax losses	61,147	–	–	–
Others	13,200	–	–	–
	139,767	40,235	160,523	51,092
Offsetting	(139,767)	(40,235)	(139,767)	(40,235)
Deferred tax liabilities, net	–	–	20,756	10,857

Unrecognised deferred tax assets arising from:

	2020 HK$'000	2019 HK$'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	270,800	325,300
Tax losses	652,700	1,010,000
	923,500	1,335,300

Deductible temporary differences of approximately HK$270.8 million (2019: HK$325.3 million) and tax losses arising in Hong Kong of approximately HK$47.8 million (2019: HK$47.8 million) have no expiry date under current tax legislations. Tax losses arising in the PRC of approximately HK$604.9 million (2019: HK$962.2 million) which are available for offsetting against future taxable profits of the subsidiaries in which the losses arose will expire in one to five years. The directors of the Company consider that no deferred tax assets should be recognised as it is uncertain whether future taxable profits can be generated by these subsidiaries to utilise these tax losses and deductible temporary differences.

Deferred tax has not been recognised for withholding taxes and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling HK$276.1 million at 31 December 2020 (2019: HK$281.8 million). The directors of the Company consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

25. SHARE CAPITAL

	2020 HK$'000	2019 HK$'000
Authorised:		
100,000,000,000 (2019: 100,000,000,000) ordinary shares of HK$0.10 each	**10,000,000**	10,000,000
Issued and fully paid:		
1,527,586,000 (2019: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

26. FINANCIAL GUARANTEE CONTRACTS

As mentioned in note 2.2 to the consolidated financial statements, the Guarantor Subsidiaries have jointly provided corporate guarantees in respect of financing facilities granted to Dajincang starting from year 2010. The maximum amount of the financing facilities was RMB2.5 billion at 31 December 2020 (2019: RMB2.5 billion). The directors of the Company have tried to engage a professional valuer to assess the fair value of the Financial Guarantee Contracts. However, since the management of the Group was unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the consolidated financial statements in respect of the Financial Guarantee Contracts.

27. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
Purchase or construction of property, plant and equipment	**6,000**	5,566

28. OTHER CASH FLOW INFORMATION

(a) Cash (used in) generated from operations

	2020 HK$'000	2019 HK$'000
Profit (Loss) before tax	9,486	(179,974)
Bank interest income	(251)	(427)
Finance costs	110,103	75,672
Depreciation		
— Property, plant and equipment	72,677	70,110
— Right-of-use assets	9,127	11,290
Amortisation of deferred income	(2,202)	(3,761)
Gain on resumption of the Dihao Properties	(289,356)	—
Impairment (Reversal of impairment) of trade and bills receivables, net	185	(619)
Impairment of deposits paid for acquisition of property, plant and equipment	63	—
Impairment of prepayments, deposits and other receivables, net	4,588	4,657
Loss on disposal of property, plant and equipment, net	4,445	813
Loss on deregistration of a subsidiary	4,928	—
Reversal of write-down of inventories, net	(2,586)	(7)
Wavier of payables	(1,268)	(1,540)
Write-off of property, plant and equipment	2,404	—
	(77,657)	(23,786)
Change in working capital:		
Inventories	139,649	57,626
Trade and bills receivables	101,833	10,485
Prepayments, deposits and other receivables	15,286	23,553
Trade and bills payables	(157,270)	(43,319)
Other payables and accruals	(41,941)	(2,548)
Cash (used in) generated from operations	(20,100)	22,011

28. OTHER CASH FLOW INFORMATION *(continued)*

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Due to the ultimate holding company HK$'000	Due to fellow subsidiaries HK$'000	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2020	–	136,267	962,526	3,403	1,102,196
Changes from financing cash flows:					
Increase in an amount due to the ultimate holding company	133,460	–	–	–	133,460
Decrease in amounts due to fellow subsidiaries	–	(168,805)	–	–	(168,805)
Proceeds from new interest-bearing bank and other borrowings	–	–	305,618	–	305,618
Repayment of interest-bearing bank and other borrowings	–	–	(339,326)	–	(339,326)
Interest expenses for interest-bearing bank and other borrowings	–	–	(62,620)	–	(62,620)
Total changes from financing cash flows	133,460	(168,805)	(96,328)	–	(131,673)
Exchange realignment	1,125	(17,391)	66,745	3	50,482
Other changes:					
Deregistration of a subsidiary	–	3,744	–	–	3,744
Offsetting	(134,585)	134,585	–	–	–
Payment of lease liabilities	–	2,404	–	(2,404)	–
Interest expenses	–	–	62,620	92	62,712
Total other changes	(134,585)	140,733	62,620	(2,312)	66,456
At 31 December 2020	–	90,804	995,563	1,094	1,087,461

28. OTHER CASH FLOW INFORMATION *(continued)*

(b) Changes in liabilities arising from financing activities *(continued)*

	Due to the ultimate holding company HK$'000	Due to fellow subsidiaries HK$'000	Interest-bearing bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2019	–	120,577	1,009,332	8,983	1,138,892
Changes from financing cash flows:					
Increase in an amount due to the ultimate holding company	99,519	–	–	–	99,519
Decrease in amounts due to fellow subsidiaries	–	(90,818)	–	–	(90,818)
Proceeds from new interest-bearing bank and other borrowings	–	–	757,857	–	757,857
Repayment of interest-bearing bank and other borrowings	–	–	(782,788)	–	(782,788)
Interest expenses for interest-bearing bank and other borrowings	–	–	(53,375)	–	(53,375)
Total changes from financing cash flows	99,519	(90,818)	(78,306)	–	(69,605)
Exchange realignment	(199)	2,528	(21,875)	(1,164)	(20,710)
Other changes:					
Offsetting	(99,320)	99,320	–	–	–
Payment of lease liabilities	–	4,660	–	(4,660)	–
Interest expenses	–	–	53,375	244	53,619
Total other changes	(99,320)	103,980	53,375	(4,416)	53,619
At 31 December 2019	–	136,267	962,526	3,403	1,102,196

(c) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, during the Year, amount due to the ultimate holding company and amounts due from fellow subsidiaries in aggregate of HK$45.5 million (2019: HK$15.7 million) were assigned to or offset against amounts due to fellow subsidiaries pursuant to agreements entered into between relevant parties.

29. RELATED PARTY TRANSACTIONS

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

(i) Transactions with related parties

	2020 HK$'000	2019 HK$'000
Purchases from fellow subsidiaries		
— Corn starch and other raw materials (a)	842	168,556
Sales to fellow subsidiaries		
— Corn sweeteners (a)	60	305
Purchases of corn kernels from the Nongtou Group (b)	20,285	389,718
Sales of corn starch to the Nongton Group (c)	15,018	—
Interest on trade payables to the Nongtou Group (b)	46,832	7,618
Reimbursement of cost of utilities provided by a fellow subsidiary (a)	1,686	13,269
Rental to fellow subsidiaries (d)	4,630	4,660

Remarks:

(a) The Group sourced corn starch and other raw materials from fellow subsidiaries. These purchases were made in accordance with the respective agreements in relation to the purchase of corn starch and other raw materials by the Group from the GBT Group, the sale of corn sweeteners by the Group to the GBT Group and the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group dated 28 February 2019 (the "**New Master Agreements**").

(b) The Group sourced corn kernels from the Nongtou Group. These purchases were made in accordance with the new master supply agreement in relation to the supply of corn kernels by the Nongtou Group to members of the Group dated 12 September 2018. The trade payables to the Nongtou Group is unsecured and interest bearing at 11.0% per annum after the lapse of credit periods.

(c) The Group sold corn starch to the Nongtou Group. These sales were made in accordance with the master sales agreement in relation to the supply of corn starch and other corn based products dated 12 September 2018.

(d) The Group leases certain land and premises from fellow subsidiaries. The rental expenses were charged based on lease agreements signed between the parties. The amount disclosed represents the lease payments made by crediting the current account with the fellow subsidiaries.

(ii) Balances with fellow subsidiaries

The balances with fellow subsidiaries are unsecured, interest-free and have no fixed term of repayment.

(iii) Compensation of key management personnel of the Group

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

	2020 HK$'000	2019 HK$'000
Financial assets at amortised cost		
Trade and bills receivables	96,047	190,528
Financial assets included in prepayments, deposits and other receivables	409,325	6,740
Cash and bank balances	21,281	30,820
	526,653	228,088

	2020 HK$'000	2019 HK$'000
Financial liabilities at amortised cost		
Trade and bills payables	253,200	393,096
Financial liabilities included in other payables and accruals	184,685	106,007
Interest-bearing bank and other borrowings	995,563	962,526
Due to fellow subsidiaries	90,804	136,267
Lease liabilities	1,094	3,403
	1,525,346	1,601,299

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing bank and other borrowings 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 flow position of the Group and the debt market, and the Group would refinance its borrowings at a lower cost of debt when considered appropriate.

At the end of the reporting period, if interest rates had been 100 basis point higher/lower with all other variables held constant, the Group's loss before tax would have increased/decreased by HK$4,887,000/HK$5,057,000 (2019: HK$4,451,000/HK$4,684,000).

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

Interest rate risk *(continued)*

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 points (2019: 100 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2019.

Credit risk

The Group's credit risk is primarily attributable to cash and bank balances, trade and bills receivables and financial assets included in prepayments, deposits and other receivables.

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Bank balances

Substantially all of the Group's bank balances were deposited in creditworthy global financial institutions and state-controlled financial institutions in Hong Kong and the PRC, which management considers they are without significant credit risk.

Trade and bills receivables

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group normally allows credit terms of 30 to 90 days (2019: 30 to 90 days) to established customers. Overdue balances are reviewed regularly by the management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances and the trade and bills receivables are non-interest-bearing.

At the end of the reporting period, the Group had a concentration of credit risk as 14.5% (2019: 15.4%) and 47.7% (2019: 42.8%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's customer base consists of a variety of customers and the trade and bills receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions during the Year.

The information about the exposure to credit risk and ECL for trade and bills receivables using a provision matrix is summarised below.

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

Credit risk *(continued)*

Trade and bills receivables (continued)

At 31 December 2020

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	0.4	88,677	(336)	No
Less than 1 month past due	0.6	7,544	(46)	No
1 to 3 months past due	1.4	211	(3)	No
Over 3 months past due	100	78,904	(78,904)	Yes
		175,336	(79,289)	

At 31 December 2019

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
Not past due	0.3	188,368	(661)	No
Less than 1 month past due	0.5	2,244	(12)	No
1 to 3 months past due	0.9	32	—	No
Over 3 months past due	99.5	73,577	(73,020)	Yes
		264,221	(73,693)	

The Group does not hold any collateral over trade and bills receivables at 31 December 2020 and 2019.

At 31 December 2020, the Group recognised loss allowance of HK$79,289,000 (2019: HK$73,693,000) on the trade and bills receivables. The movement in the loss allowance for trade and bills receivables during the year is summarised below.

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

Credit risk *(continued)*

Trade and bills receivables (continued)

	Note	2020 HK$'000	2019 HK$'000
At 1 January		73,693	75,747
Increase in allowance	6	1,166	332
Reversal of allowance	6	(981)	(951)
Exchange realignment		5,411	(1,435)
At 31 December		79,289	73,693

Other receivables

The Group performs impairment assessment on other receivables from various parties based on 12-month or lifetime ECL based on assessed credit risk. The credit risk of the Group's other receivables arises from default of the counterparties, with maximum exposure equal to the carrying amounts of these receivables. Individual credit limits are set based on the assessments of the credit quality.

In estimating the ECL, the Group has taken into account the historical actual credit loss experience and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made for the Year.

At 31 December 2020, the Group recognised loss allowance of HK$35,967,000 (2019: HK$30,471,000) on the other receivables.

Liquidity risk

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

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

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

Liquidity risk *(continued)*

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

At 31 December 2020

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total HK$'000
Trade and bills payables	–	23,905	229,295	–	–	253,200
Financial liabilities included in other payables and accruals	184,685	–	–	–	–	184,685
Due to fellow subsidiaries	90,804	–	–	–	–	90,804
Interest-bearing bank and other borrowings	736,039	19,405	119,375	17,456	187,019	1,079,294
Lease liabilities	–	480	640	–	–	1,120
	1,011,528	43,790	349,310	17,456	187,019	1,609,103

At 31 December 2019

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total HK$'000
Trade and bills payables	–	261,293	131,803	–	–	393,096
Financial liabilities included in other payables and accruals	106,007	–	–	–	–	106,007
Due to fellow subsidiaries	136,267	–	–	–	–	136,267
Interest-bearing bank and other borrowings	242,637	15,059	541,336	203,563	–	1,002,595
Lease liabilities	–	602	1,807	1,120	–	3,529
	484,911	276,954	674,946	204,683	–	1,641,494

The above analysis is based on the scheduled repayment dates as set out in the loan agreements ignoring the effect of any repayment on demand clause.

In addition, as disclosed in note 26 to the consolidated financial statements, the Group may be required to make payments in respect of the financial guarantee contracts up to a maximum amount of RMB2.5 billion at 31 December 2020 (2019: RMB2.5 billion) together with outstanding interest.

31. CAPITAL MANAGEMENT

The 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 2020 and 2019.

32. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operations	Registered/ paid up capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Global Sweeteners (HK) Limited	Hong Kong	HK$1,000	100	General administration
Indirectly held:				
Changchun Dihao Foodstuff Development Co., Ltd.#	The PRC	Registered Capital RMB725,100,000 (Paid up: RMB307,574,472)	100	Manufacture and sale of corn sweeteners
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.#	The PRC	US$62,504,000	100	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd.#	The PRC	US$7,770,000	100	Manufacture and sale of corn sweeteners
Shanghai Haocheng Foods Development Co., Ltd.#	The PRC	US$9,668,000	100	Manufacture and sale of corn sweeteners

Wholly-foreign-owned enterprise

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

33. DEREGISTRATION OF A SUBSIDIARY

On 9 November 2020, the Group deregistered a subsidiary, Shanghai Shangying Trading Co., Limited ("**Shangying**"). Shangying was engaged in trading of corn based sweetener products prior to the deregistration. The net assets of Shangying at the date of deregistration were as follows:

	Note	HK$'000
Net assets disposed of:		
Prepayments, deposits and other receivables		1,099
Due from fellow subsidiaries		3,744
Cash and bank balances		1
Other payables and accruals		(317)
		4,527
Reclassification adjustment in respect of exchange reserve upon deregistration of a subsidiary		401
Loss on deregistration of a subsidiary (a)	6	4,928

An analysis of the net outflow of cash and cash equivalents in respect of the deregistration of a subsidiary is as follows:

	HK$'000
Cash and cash equivalents disposed of	(1)
Net outflow of cash and cash equivalents	(1)

Remark:

(a) Loss on deregistration of a subsidiary of HK$4,928,000 was recognised in "other expenses" in the consolidated statements of profit and loss and other comprehensive income.

34. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		–	–
Right-of-use asset		1,069	2,901
		1,069	2,901
Current assets			
Due from subsidiaries		80,299	114,918
Prepayments, deposits and other receivables		638	305
Cash and cash equivalents		2,044	2,687
		82,981	117,910
Current liabilities			
Due to subsidiaries		434,280	405,979
Other payables and accruals		2,343	2,690
Lease liability		1,094	1,850
Financial guarantee contracts		49,329	65,488
		487,046	476,007
Net current liabilities		(404,065)	(358,097)
Total assets less current liabilities		(402,996)	(355,196)
Non-current liability			
Lease liability		–	1,094
Financial guarantee contracts		22,812	55,240
		22,812	56,334
NET LIABILITIES		(425,808)	(411,530)
Capital and reserves			
Share capital		152,759	152,759
Reserves	34(a)	(578,567)	(564,289)
TOTAL DEFICIT		(425,808)	(411,530)

This statement of financial position was approved and authorised for issue by the board of directors on 31 March 2021 and signed on its behalf by

Zhang Zihua
Director

Tai Shubin
Director

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

(a) Reserves

	Contributed surplus HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	491,695	1,074,879	(2,032,679)	(466,105)
Loss and total comprehensive loss for the year	—	—	(98,184)	(98,184)
At 31 December 2019 and 1 January 2020	491,695	1,074,879	(2,130,863)	(564,289)
Loss and total comprehensive loss for the year	—	—	(14,278)	(14,278)
At 31 December 2020	491,695	1,074,879	(2,145,141)	(578,567)

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

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

35. EVENT AFTER THE REPORTING PERIOD

As mentioned in note 2.2 to the consolidated financial statements, the BOC Transferred Loans have been transferred to Changchun Rudder and each of the BOC Borrowers has entered into a Repurchase Agreement with Changchun Rudder on 26 March 2021 to purchase their respective portion of the BOC Transferred Loans so as to discharge their debts and liabilities owed to Changchun Rudder. The considerations of the GSH Indebtedness and the GBT Indebtedness will be financed by the proceeds from the compensation for the resumption of the Relevant Properties. The completion of the Repurchase Agreements took place on 31 March 2021. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GBT dated 26 March 2021 and 31 March 2021.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

FIVE YEAR FINANCIAL SUMMARY

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

	Year ended 31 December				
	2020* HK$'000	2019# HK$'000	2018# HK$'000	2017# HK$'000	2016# HK$'000
RESULTS					
REVENUE	769,024	1,956,820	1,961,004	1,395,090	995,218
Cost of sales	(691,158)	(1,749,180)	(1,758,173)	(1,240,651)	(890,960)
Gross profit	77,866	207,640	202,831	154,439	104,258
Other income and gains	309,129	18,371	20,374	21,126	153,726
Selling and distribution costs	(61,252)	(180,386)	(188,649)	(134,735)	(83,982)
Administrative expenses	(94,741)	(111,807)	(109,323)	(102,825)	(115,329)
Other expenses	(111,413)	(38,120)	(56,179)	(31,024)	(264,700)
Finance costs	(110,103)	(75,672)	(74,540)	(49,708)	(48,451)
PROFIT (LOSS) BEFORE TAX	9,486	(179,974)	(205,486)	(142,727)	(254,478)
Income tax (expense) credit	(18,212)	17,404	(3,010)	2,469	92,120
LOSS FOR THE YEAR	(8,726)	(162,570)	(208,496)	(140,258)	(162,358)
Attributable to:					
Owners of the Company	(8,726)	(162,570)	(208,496)	(140,258)	(162,358)
Non-controlling interests	—	—	—	—	—
	(8,726)	(162,570)	(208,496)	(140,258)	(162,358)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
TOTAL ASSETS	1,304,524	1,398,974	1,572,267	1,635,457	1,412,771
TOTAL LIABILITIES	(1,729,382)	(1,810,385)	(1,885,486)	(1,758,430)	(1,400,791)
NON-CONTROLLING INTERESTS	6,225	5,794	5,931	6,303	5,793
	(418,633)	(405,617)	(307,288)	(116,670)	17,773

* Details of the disclaimer of audit opinion are set out in the independent auditor's report on page 49 to page 51.

\# Disclaimer of audit opinion was issued in respect of the Group's consolidated financial statements for the years ended 31 December 2019, 2018, 2017 and 2016. Please refer to the Company's 2019, 2018, 2017 and 2016 annual reports for details.