GLOBAL Sweeteners

大成糖業控股有限公司

GLOBAL Sweeteners Holdings Limited

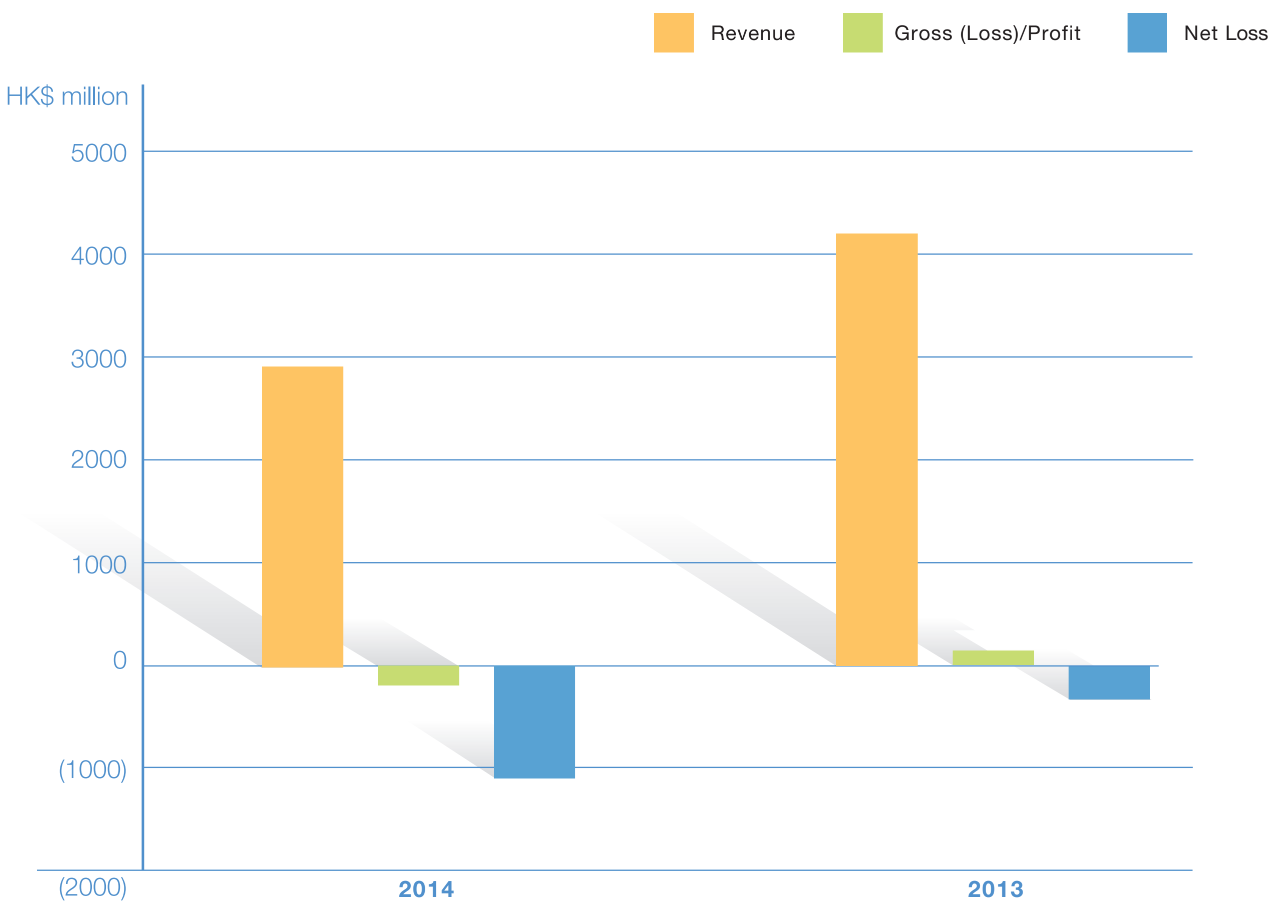
(incorporated in the Cayman Islands with limited liability)
Stock Code: 03889 HK
913889 TW

ANNUAL REPORT 2014

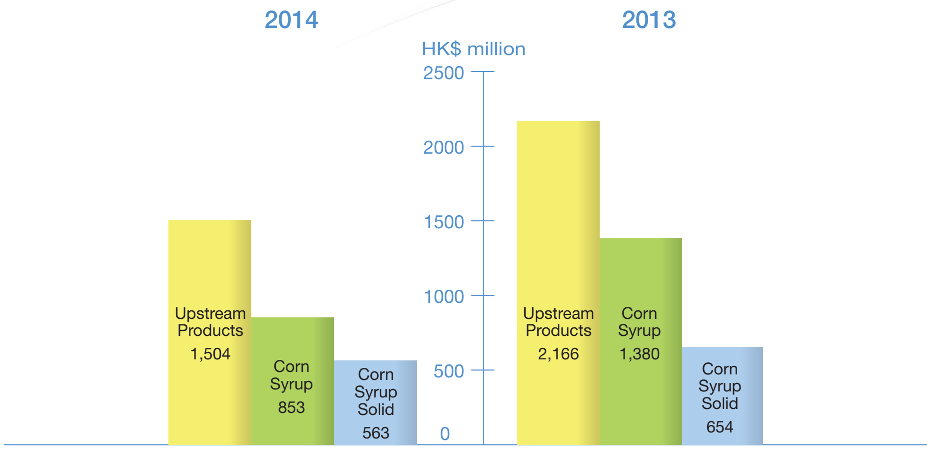
CONTENTS

FINANCIAL HIGHLIGHTS

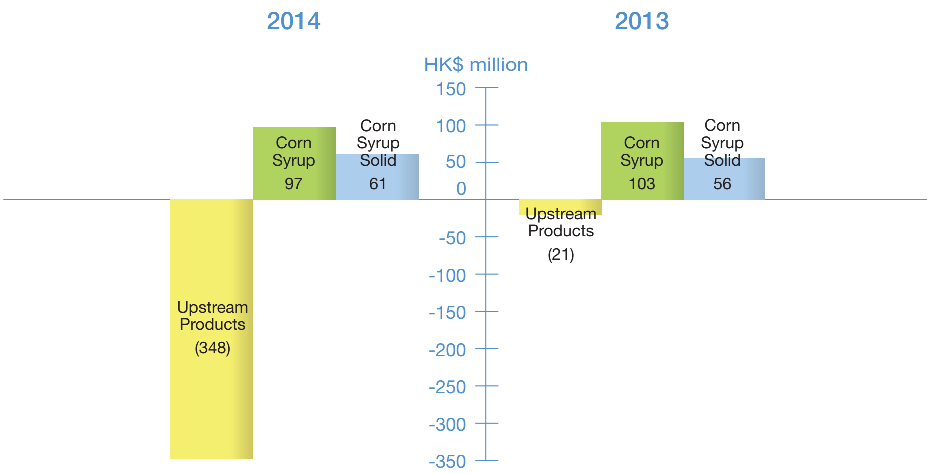
(HK$ million)	2014	2013	Change %
Revenue	2,920	4,200	(30.5)
Gross (loss)/profit	(190)	138	N/A
Write-down of inventories to net realisable value	(278)	(46)	N/A
(Impairment)/write-back of trade and bills receivables	(45)	6	N/A
Impairment of property, plant and equipment	(263)	—	N/A
Impairment of goodwill	(184)	—	N/A
Loss before tax from continuing operations	(1,082)	(304)	N/A
Loss for the year from a discontinued operation	—	(5)	N/A
Net loss from ordinary activities attributable to shareholders	(1,093)	(320)	N/A
Loss per share (HK cents)	(71.6)	(20.9)	N/A
Loss per share from continuing operations (HK cents)	(71.6)	(20.6)	N/A
Proposed final dividend per share (HK cents)	—	—	N/A



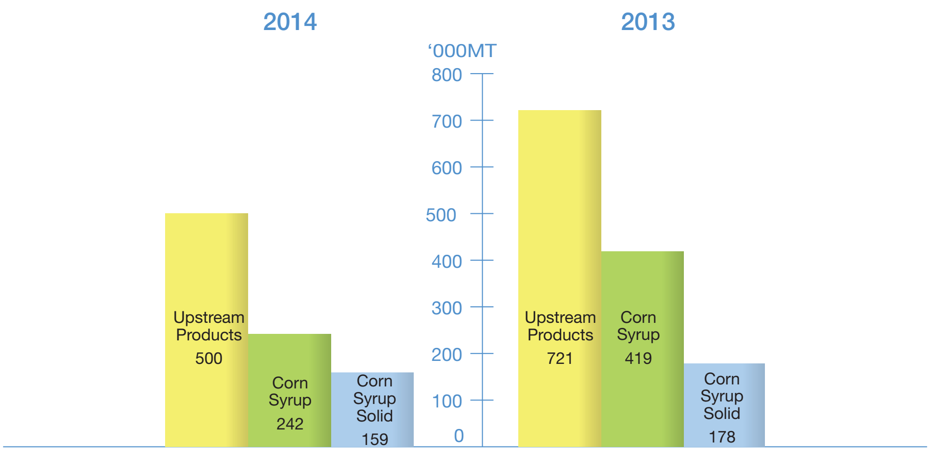
REVENUE DISTRIBUTION



GROSS PROFIT/(LOSS) DISTRIBUTION



SALES VOLUME



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Kong Zhanpeng *(Chairman and Chief Executive Officer)*
Zhang Fazheng *(Retired on 20 May 2014)*
Lee Chi Yung
Wang Guifeng *(Appointed on 3 March 2014)*
Nie Zhiguo *(Appointed on 3 March 2014)*

Independent non-executive Directors

Chan Yuk Tong
Gao Yunchun *(Resigned on 3 March 2014)*
Ho Lic Ki
Lo Kwing Yu *(Appointed on 3 March 2014)*

COMPANY SECRETARY

Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2403
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No. 18 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
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Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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STOCK CODE

03889 HK
913889 TW

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

During the year under review, the economy of China was in the process of economic transformation. Integration of industry chains, together with the declining demographic dividend which drove up labour costs, has increased the costs of production in China. In line with the State's economic policy, various industries in China are now moving towards the upper end of the value chain to integrate high value-added activities to embrace global competition. Such transformation has inevitably slowed down the economic growth in China.

Slowdown in China's economic development has constrained demand for corn-refined products and sweeteners, as the domestic food and beverage sector was hampered by softened consumption power. The Group's operations were also challenged by cut-throat price competition and the distorted raw material costs, as China's corn kernel price has been kept at an unrealistic level supported by the State Government's protective policy. In addition, as cane sugar price remained low, the consumption and price of corn sweeteners were under intensified pressure.

The Group's performance for the year ended 31 December 2014 was severely affected by the punishing market environment. The Group's revenue for the year further dropped to HK$2,920,000,000 as a result of the suspension of its upstream production. Due to the low utilisation rate of the Group's production facilities, weak selling prices of upstream products and high corn kernel costs, gross loss for the Group's upstream segment was enlarged to HK$348,000,000. Despite the Group's downstream segment reported a gross profit of approximately HK$158,000,000, the impairment of inventories, goodwill and fixed assets have led to a significant increase in net loss to HK$1,093,000,000 during the year under review.

Prices of corn starch and other corn refined products continued to be suppressed by overcapacity and retreated demand. The severe market environment had forced certain inefficient corn refineries out of operation.

In view of the poor market sentiment of the upstream segment and in preparation for its facilities relocation in Changchun, the Group suspended its upstream operation since end of March 2014. This move has unavoidably reduced facility utilisation further and heightened unit production costs. During the year, the production volume of the Group's upstream segment was 571,000 metric tonnes, a portion of which was used as raw material for downstream production.

With respect to the Group's downstream operations, both production volume and sales revenue for the Group's sweetener business declined, as affected by the relocation plan of the Group's Changchun plant. Leveraging on brand awareness name and superior services of the Group's Shanghai plant, the sales of Shanghai operations remained strong and stable. During the year under review, the Group's downstream operations reported a sales volume of 401,000 metric tonnes.

During the year under review, the Group was entitled to a gain of approximately HK$100,000,000 as compensation for the resumption of its assets in Luyuan, Changchun by the local government. In August 2014, the Group reached a preliminary understanding with the Changchun Land Reserve Centre, on the intention of resumption of the remaining site of the Group's Changchun plant. Finalisation of terms of the land resumption is expected to bring in additional working capital to strengthen the Group's cash position.

The Group also lowered its interest expenditure and strengthened its financial position by repaying certain debts amounting to HK$316,000,000 during the year under review.

MESSAGE TO SHAREHOLDERS

OUTLOOK

The production volume of cane sugar in China is expected to decline this year, as a result of severe climate condition in major production regions and the drop in sugar cane acreage due to high production costs and low cane sugar prices. This is likely to have a positive impact on sugar price and therefore supporting a modest recovery of sweeteners prices.

The State Government will maintain its protective policy in favour of the agricultural sector. However, recent changes in the approaches to provide direct subsidies to other agricultural products may gradually become a more common practice. It is expected that if such direct subsidies practice extends to corn farmers, it could allow corn price to reflect real market situation.

The Group has decided to import corn kernels from overseas markets, taking advantage of the substantial difference between international and domestic corn prices. The Group's Jinzhou plant has obtained import quota for 150,000 MT of corn in mid-March 2015 and is currently planning to import corn kernel from the U.S. in the current year.

Established in 1998, the Group's Shanghai plant has achieved high operation efficiency and enjoyed strong brand recognition. Leveraging on its geographic advantage with proximity to end users markets, the Group's Shanghai plant is staying abreast of the latest market trends and customer needs. In order to serve the huge appetite of the Eastern China market, the Group has designated its Shanghai plant as the Group's sales centre. Supported by the Group's Jinzhou plant as a major processing base, the Group will market its products into the Eastern China market and actively develop export market under the Shanghai plant's brand name.

The Group is in the process of negotiation with the relevant government bodies in relation to the relocation of the Group's Changchun plant to Xinglongshan, to finalise the relocation plan and timetable. The relocation offers the Group an opportunity to upgrade its facilities and realign its product mix to produce higher value-added products meeting customer needs. Capitalising on its research and development capability, the Group will continue to introduce products for the higher end market, and to further strengthen the marketing of the Group's products under its own brand name. Such measures are expected to differentiate enable the Group to survive the intense competition.

In recent years, our management has been concentrating its effort in maintaining the Group's competitiveness in a challenging market environment. During the course, we had, unfortunately, failed our shareholders in observation of our compliance obligation.

As announced earlier, the Group failed to comply with relevant listing rules for disclosure of financial assistances to its parent company and a supplier respectively. The oversight in compliance is inexcusable. Remedial actions have been proposed to avoid recurrence of similar incidents.

We are well aware of the importance of risk management in light of the current market conditions. Our management will stay vigilant to the Group's financial exposure and will maintain its light asset operations to minimise capital outlay.

As the Chairman of the Group, I would like to extend my gratitude for the commitment of our staff and the faith of our bankers, business associates and shareholders, as well as continued support from local government, which are particularly important for the Group, under the current difficult market conditions.

Kong Zhanpeng
Chairman

31 March 2015

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production 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 then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in the corn procurement business, which corn kernels are purchased directly from farmers via corn origination silos for cost savings.

BUSINESS ENVIRONMENT

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.

The corn harvest in the United States of America ("US") outperformed expectations in 2014. Consequently, international corn price dropped from 523 US cents per bushel (equivalent to RMB1,282 per metric tonne ("MT")) to 378 US cents per bushel (equivalent to RMB927 per MT) by the end of 2014. While in the People's Republic of China (the "PRC"), corn harvest in 2014/15 maintained at about 215 million MT (2013/14: approximately 218 million MT). To protect farmers, the PRC government has adopted a series of measures since the end of 2013 to stabilise domestic corn price, including the increase in national corn reserves. As a result, the average purchase price of corn kernels increased to approximately RMB2,029 per MT (2013: RMB2,004 per MT) for the year ended 31 December 2014 (the "Year").

Despite the PRC government's continuous efforts to stimulate economic growth, the depressed property prices and industrial production suggest that pace of economic growth in China remained slow. Sentiment among buyers and manufacturers stayed conservative as reflected in China's Purchasing Managers Index. Consequently, the market selling price of the Group's products remained weak. The price of upstream products hit the record low in the first half of 2014 at approximately RMB2,380 per MT and remained low during the Year, putting the Group's upstream business under pressure.

In respect of sugar price movement, the abundant supply of cane sugar, a substitute of the Group's corn sweetener products, continued to exert pressure on the market selling price of corn sweetener products. Domestic sugar price dropped further by 14.7% to approximately RMB4,350 per MT (2013: RMB5,099 per MT) by the end of the Year. On the other hand, increased production in various major sugar producing regions has pressed international sugar price to 14.98 US cents per pound (equivalent to approximately RMB2,047 per MT) by the end of 2014. The discrepancy between domestic and international sugar prices encouraged imports, which further pressured the prices of the Group's sweetener products.

In view of the increasingly challenging operating environment, the Group will continue to strengthen its market position leveraging on its brand name and further improving operation efficiency through continuous research and development efforts to lower operating costs. In addition, the Group will take the opportunity of relocation of its production facilities for downstream products in Luyuan District in Changchun, the PRC (the "Changchun Site") to Xinglongshan, Changchun, the PRC (the "Xinglangshan Site") to re-adjust its product mix and capacity to adapt to market changes, the PRC (the "Changchun Site").

MANAGEMENT RESPONSE AND REMEDIAL MEASURES

In order to facilitate a better understanding of the auditors' disclaimer opinion, management of the Company wishes to furnish further information to the auditors' disclaimer opinions together with the relevant remedial measures taken and to be taken by management.

MANAGEMENT DISCUSSION AND ANALYSIS

Background

As disclosed in the Company's annual report for 2013, the Group's performance was significantly hammered by the poor market sentiment as a result of turbulence of the global and domestic economies, over-capacity in corn-refinery industry, high raw material cost, low sugar price and weak product prices. As a result, the Group recorded a drop in sales and a net loss for the year 2013. As disclosed in the Company's announcement dated 31 March 2014, and in preparation for the relocation of the Group's production facilities to the Xinglongshan Site and in light of the poor market sentiment of the upstream corn refinery, the Group has decided to halt production of upstream products in Changchun and would optimise the utilisation of the downstream sweeteners operations in Changchun to maintain flexibility to continue to serve local customers according to market needs. As a result of the suspension of the upstream operations and the scaling-down of the downstream operations in the Group's Changchun facilities, the management has restructured and merged certain departments in Changchun and terminated the contracts with all temporary employees. Except for certain management and key employees, other headcounts were cut through natural wastage. Administrative headcount reduction has led to a disorganisation of corporate functions, particularly in relation to the Group's documentation and filing systems, where hand-written records are still predominant with a limited use of electronic records. Subsequent to the staff organisational restructure at Changchun site, offices were either merged or moved to enhance cost efficiency. As a result of the department restructure and relocation and the departure of a number of key supporting employees, the management experienced difficulties in locating certain information and documents and therefore was unable to provide the necessary information and documents to the Company's auditors in time to complete their audit.

The downsizing in the Changchun operations and the subsequent departure of a number of key supporting staff have weakened the communication and co-ordination mechanisms of the Group. Inefficient handover together with insufficient training led to poor understanding or misinterpretation of certain of the Group's internal control procedures which may have resulted in certain internal control non-compliance not being timely uncovered, prevented or rectified.

In relation to the Group's documentation and filing systems, hand-written records are still predominant with a limited use of electronic records, and the management has noticed the possible weaknesses in internal control procedures arising from such arrangements. As such, the Group's Shanghai production site was chosen as the pilot site for Enterprise Resource Planning ("ERP") system implementation. Upon the successful launch of the ERP system in Shanghai, the system will be rolled over to the Group's other production sites. The Group's Shanghai production site begun the preparation and installation of the ERP system in January 2015 and is expected to complete by the end of June 2015. Trial run of the ERP system will be launched in the second half of 2015. Owing to the fact that the Changchun production site is in preparation for relocation, the management has planned for the implementation of the ERP system at the new site in Xinglongshan when relocation of the Group's facilities completes. As such, management believed the current shortcomings in documentation and filing systems were only temporary.

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

During the preparation of the financial statements for the year 2014, the Company's management noted for the first time two of the Group's wholly-owned subsidiaries established and operated in Changchun, namely 長春帝豪食品發展有限公司 (literally translated as Changchun Dihao Foodstuff Development Co., Ltd., "Changchun Dihao") and 長春金成玉米開發有限公司 (literally translated as Changchun Jincheng Corn Development Co., Ltd., "Changchun Jincheng"), issued guarantees (the "Dajincang Financial Guarantees") to a bank (the "Lender Bank") in Mainland China in connection with facilities (the "Dajincang Bank Facilities") granted to 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement, Ltd., "Dajincang"), a major supplier to the Group's subsidiaries in Changchun, with a maximum amount of RMB3 billion (approximately HK$3.75 billion) as at 31 December 2010, 2011, 2012 and 2013 and RMB2.5 billion (approximately HK$3.13 billion) as at 31 December 2014. The amount drawn down by Dajincang as at the date of this report amounted to RMB2.496 billion (approximately HK$3.11 billion).

To the best of the knowledge, information and belief of the directors having made all reasonable enquiries, (i) Dajincang is beneficially majority-owned by the labour union (the "Labour Union") of the employees of the Group and Global Bio-chem Technology Group Company Limited ("GBT") and its subsidiaries (other than the members comprising the Group, the "GBT Group") in Mainland China; (ii) the Labour Union has more than 5,000 members. The interests of all members of the Labour Union are identical and do not differ from member to member. Excluding persons who are members of the Labour Union, none of the Directors nor their respective close associates have any interest in Dajincang, and none of Dajincang nor its close associates held any interest in the Company and its respective connected persons; and (iii) two of the directors of Dajincang are also directors of certain PRC subsidiaries of GBT. They were appointed directors of Dajincang solely in their capacity as members of the Labour Union and their interests in the Labour Union do not differ from those of other members.

As detailed in the Company's announcement dated 31 March 2015 regarding, among others, the provision of the Dajincang Financial Guarantees, based on the available information, the directors considered that the Dajincang Financial Guarantees were provided by Changchun Dihao and Changchun Jincheng without the proper authorisation of the Company's board of directors and are not in compliance with the relevant internal control and approval procedures. The Company's management has promptly formulated action plans to minimise the potential impact or financial losses to the Group and to rectify the internal control weaknesses that may have led to the improper entering into the Dajincang Financial Guarantees, including but not limited to that, (i) with immediate effect, all loan, guarantee and security documents to which any member of the Group is expressed as a party are required to be approved by the Board before they may be entered into and a notice regarding the approval procedure has been circulated to all relevant staff of the Group (including the legal representatives and directors of all PRC subsidiaries) and a monthly checklist is required to be completed by the relevant handling staff to ensure compliance with the relevant procedures; and (ii) based on a report of the Lender Bank and during a recent meeting between the senior representatives of the Lender Bank and the Group, the Lender Bank has indicated that in accordance with the government-led financial assistance consensus reached in September 2014, it is the intention of the Lender Bank not to lower the credit rating of, nor to reduce the amounts of facilities granted to, the Group's subsidiaries in Jilin province and Dajincang in the foreseeable future. In view of the above, the directors considered that there is no indication that the Lender Bank would demand the early repayment of the amount drawn down by Dajincang under the Dajincang Bank Facilities and the Group.

Nevertheless, in compliance with the Company's accounting policies and for the purpose of preparing for the Company's consolidated financial statements for the year 2014, immediately following the identification of the Dajincang Financial Guarantees, the management has engaged an internal professional valuer to conduct an independent valuation of the fair value of the Dajincang Financial Guarantees. However, given the limited time and insufficient financial information of Dajincang available to them, the professional valuer was unable to complete the related valuation and therefore no fair value assessment was made possible in the Company's consolidated financial statements.

As a result of the identification of the unrecorded unauthorised Dajincang Financial Guarantees, the management has obtained the relevant credit reports of the major operating subsidiaries established in Mainland China from local offices of credit reference centre, the People's Bank of China, a State-owned and regulated agency empowered by laws to collect and maintain all the historical and current credit data (including loans, guarantees and pledges of assets in relation to the authorised financial institutions in Mainland China). Based on these credit reports, there were no other guarantees or pledges of assets provided by the Group to authorised financial institutions in Mainland China. Additional internal controls have been implemented with immediate effect, including the requisition of the relevant credit reports on a regular basis.

In addition to the proposed engagement of an independent internal control expert to conduct a review of the Group's internal controls and systems, including the approval and reporting of loans, guarantees and pledges of assets, the management will issue a letter to all staff to reiterate that strict compliance with the existing internal approval procedures is required and failure of compliance will result in personal penalty or summary dismissal. Trainings would be conducted to all relevant staff in the second quarter of 2015 to ensure correct understanding and interpretation of the relevant internal control procedures and requirements.

2. *Inventories loss*

i) Impairment loss on and sales of substandard and inferior corn kernels

During the year, the Group recorded in the cost of sales of a net impairment provision of approximately HK$223 million against certain corn kernels which had been identified as substandard and inferior in quality, and had been sold before 31 December 2014 at a minimal amount. During the corn-starch production process, substandard corn kernels were filtered out to be unsuitable for putting in production. These substandard corn kernels were put back in warehouses. In addition, during the storage process, due to changes in temperature and humidity and other conditions of the warehouses, it is not uncommon to experience deterioration in the quality of corn kernels. However, there have been no established control procedures to require substandard and inferior corn kernels be identified for accounting for impairment losses or arranging for timely disposal on a periodical basis. As the Group had suspended or scaled down its upstream corn-starch production plant during the Year, the management of the Group's operations in Mainland China has become aware of the existence of and the possible significance of such substandard and inferior corn kernels, and has taken immediate actions to quantify the amount of such substandard and inferior corn kernels with supporting internal laboratory test reports confirming the quality before the sale as mentioned above. However, due the administration disorganisation experienced and the heavy reliance of hand-written documentations used by the Group's subsidiaries in Mainland China, the management was unable to locate sufficient documents for the purpose of external audit.

In order to avoid recurrence of the incidents mentioned above, management has implemented control procedures to timely identify, quantify and dispose of substandard and inferior corn kernels on a periodic basis.

ii) Impairment loss of certain corn kernels to net realisable value

During the Year, the Group recorded in the cost of sales of a impairment provision of HK$32 million against certain corn kernels as at 31 December 2014 due to a significant reduction in the production yield and unusual wastage experienced by a subsidiary of the Group in Jinzhou in January 2015. At the time, in line with the usual practices consistently over the past years, the Group calculated the production yield and therefore the amount of corn kernels used for production in January 2015 based on the summary of daily finished goods production records and the ending inventory balances established by inventory taking of corn kernels at 31 December 2014 and 31 January 2015. Based on information provided by management in Jinzhou, the significant wastage occurred during the trial run of connecting the new 200,000 metric tonnes per annum ("mtpa") production line with the other 600,000 mtpa production line in order to reduce unit production costs by achieving better economies of scale. However, due to oversights of certain Jinzhou management staff responsible for managing the trial run processes, the significant wastage was not detected in time to control the extent of such wastage. Disciplinary actions have been taken, resulting in the summary dismissal of certain responsible management staff.

3. *Inventories – ownership of certain corn kernels*

As at 31 December 2014, certain corn kernels of HK$39 million were kept at nearby locations outside the Group's premises because of the reconstruction of certain warehouses in Jinzhou. The external premises are situated nearby the factories in Jinzhou and the owner allowed the management to physically manage such corn kernels as if they were held directly by the Group. The existence and quantity of such corn kernels have been confirmed by 2014 year end inventory taking, and the management has obtained a confirmation of ownership of such corn kernels of the Group from the owner of the outside premises by end of March 2015.

To enhance the record keeping, the management will obtain monthly confirmation from external custodians of assets.

4. Other receivable from a major supplier

This represents an outstanding receivable due from Dajincang, a major supplier, amounting to approximately HK$354 million as at 31 December 2014, arisen from the two batches of return of certain corn kernels to Dajincang by the Group in December 2014 in amounts of approximately HK$286 million (the "First Returned Corns") and HK$68 million (the "Second Returned Corns"). In line with usual industry practice and the Group's procurement policies, the First Returned Corns were purchased by the Group from Dajincang towards the end of the peak harvesting season of 2013/2014 in preparation for future production usage after the first quarter of 2014. However, following the impromptu decision of the Group to suspend its upstream corn-starch production on 31 March 2014, the Group instructed Dajincang to safe-keep those First Returned Corns at Dajincang's warehouses pending later potential resumption of production. Accordingly, when becoming apparent that resumption of such upstream production in Changchun was not possible in the near future, the Group has arranged and agreed with Dajincang to return those First Returned Corns in December 2014 with an option to demand for returns of corns when upstream production in Changchun is resumed after relocation to Xinglongshan or, failing which, repayment to the Group for the price paid for the First Returned Corns by Dajincang. The First Returned Corns had at all times stored in Dajincang's warehouses, and a written acknowledgement of transfer of such corns has been entered into between Dajincang and the Group under the terms of the relevant return agreement.

The decision for the Second Returned Corns was made in February 2014 in preparation for vacating the existing warehouses in Changchun and subsequent relocation of production facilities to the new Xinglongshan site then scheduled to commence in April 2014. The Group has engaged its regular transportation service provider to deliver such goods to Dajincang. Delivery notes issued by the transportation service provider were acknowledged for receipt by Dajincang. For the same reasons for, and at the same time of, entering into the First Returned Corns contract, the Group entered into the agreement for the Second Returned Corns contract.

The outstanding receivable from Dajincang amounted to approximately HK$354 million as at 31 December 2014 for which confirmation has been obtained from Dajincang. In view of the longstanding business relationship with Dajincang with no adverse past credit history and taking into accounts the potential need for corns upon resumption of production, the Group agreed the outstanding receivable to be settled in the same quantity of corns in kind or in cash valued such returned goods at then prevailing market prices of corns in the event of resumption of the Group's production, but in any case not later than 31 December 2015 according to the prevailing agreement for the First and Second Returned Corn. Accordingly, the outstanding receivable is not yet due for settlement. The management is in the process of obtaining sufficient financial information from Dajincang for further assessment.

5. Amounts due from the ultimate holding company and fellow subsidiaries

The Group had outstanding amount due from its immediate holding company (Global Corn Bio-chem Technology Company Limited, a GBT subsidiary), amounts due from certain other GBT subsidiaries and trade receivables due from certain other GBT subsidiaries of approximately HK$22 million, HK$154 million and HK$71 million (totaling approximately HK$247 million), respectively as at 31 December 2014. At the same date, the Group recorded amount due to GBT (the ultimate holding company), amounts due to certain other GBT subsidiaries and trade payables due to certain other GBT subsidiaries in the amounts of approximately HK$29 million, HK$93 million and HK$19 million (totaling approximately HK$141 million), respectively. The net amount due by the Group from the GBT Group was approximately HK$106 million. The Group normally assesses the recoverability of balances with GBT and its subsidiaries on an aggregate basis and given the management's in-depth knowledge of the GBT Group, no formal assessment has been done to confirm the recoverability of such balances. However, as significant losses were sustained by the GBT Group during the year ended 31 December 2014, management will carry out independent assessment on each of the GBT Group companies in future.

6. *Accounts payable*

During the audit, the management noted a low response rate of accounts payable confirmation received by the auditors. In order to enhance the reliability of the financial statements for the Year, the management has obtained direct confirmation by fax from 60% of Changchun Dihao suppliers of Changchan Dihao with no direct confirmation received by the auditors during the last week of March 2015. The results are satisfactory.

The Group will implement such internal confirmation procedures of balances with all customers and suppliers to be carried out in writing on a monthly basis.

7. *Impairment of non-current assets*

As at 31 December 2014, the Group recorded property, plant and equipment of HK$1,194 million (net of depreciation and impairment), prepaid land lease payment of HK$178 million, deposits paid for acquisition of property, plant and equipment of HK$2 million, and intangible assets of HK$3 million, and full provision of impairment has been made on goodwill.

In accordance with the Company's practices, the management has engaged independent professional valuers to carry out valuations of all the Group's property, plant and equipment using acceptable valuation methodologies, including depreciated replacement cost approach. Impairment losses totaling approximately HK$438 million had been provided for during the Year.

The deposits of approximately HK$2 million were paid for equipment for the warehouses under construction by the Group's subsidiaries in Jinzhou. The relevant equipment has been scheduled to be received by the Group in the first half of 2015.

The intangible assets of HK$3 million represent the Group's investment in two transferrable golf club memberships. In accordance with our usual practice, the management has obtained the latest market prices on similar memberships from that golf club.

With respect to the goodwill arose from the acquisition of certain subsidiaries in Changchun and Jinzhou, in view of the significant losses incurred by the relevant subsidiaries and in association with the impairment losses recorded for the property, plant and equipment owned by such subsidiaries, the management considered a full impairment loss on goodwill is necessary.

8. *Impairment of investments in subsidiaries and amounts due from subsidiaries and financial guarantee contracts of the Company*

The Company has provided a calculation adopting the same basis as the previous year's. Based on this estimation, management has made provision on the impairment of investment of subsidiaries and amounts due from subsidiaries and has adjusted fair value of the financial guarantee contracts of the Company.

9. *Fundamental uncertainties relating to going concern*

The management considered that the Group will be able to carry on business for the reasons stated below.

The Group's production facilities are located in three different localities, namely, Jinzhou, Shanghai and Changchun with each production locality operating independently of each other.

With regard to the going concern on the continuity of operation in the Group's Jinzhou production site, an internationally renowned industry player has engaged a toll production framework agreement with Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng") to supply 40,000 MT of corn starch for the month of April 2015. The management expects the agreement will be renewed on monthly basis according to the current market condition. On an annual basis, it represents approximately 600,000 MT corn processing capacity. It is expected that such arrangement will generate healthy cash flow to Jinzhou Yuancheng.

Moreover, Jinzhou Yuancheng also obtained import quota of 150,000 MT of corn on 16 March 2015 approving Jinzhou Yuancheng to purchase imported corn for production starting in May 2015. Given the difference between the price of imported corns and domestic corns, Jinzhou Yuancheng could reasonably expect a stable profit starting from May 2015.

The management noted the Shanghai operation has been healthy and stable with positive cash inflows for the past years and expects stable performance in such operation in the coming year.

As to the Changchun operation, reference is made to section headed “Financial guarantee granted for the benefit of a major supplier” in this report and the announcement of the Company dated 31 March 2015 in relation to, among others, the provision of the Dajincang Financial Guarantee.

With the support of the Group’s bankers in accordance with the government-led financial assistance, the immediate risk of Changchun Dihao being called upon against Dajincang to pay under the Dajincang Financial Guarantee is low. The management will take steps to limit the exposure of Changchun Dihao to the Group’s assets in Changchun without affecting the other operations of the Group.

FINANCIAL PERFORMANCE

The Group’s consolidated revenue for the Year decreased by 30.5% to approximately HK$2,920 million (2013: HK$4,200 million) and the Group recorded a gross loss of approximately HK$190 million (2013: gross profit HK$138 million) during the Year. The decrease in revenue was mainly attributable to the suspension of Changchun production site since 31 March 2014 pending for the relocation of the Group’s production facilities in Changchun and the weak market sentiment of upstream and downstream segments. The gross loss was mainly attributable to the impairment of obsolete corn kernels of approximately HK$223 million as a result of mildew and deterioration of corn kernels in Changchun and Jinzhou production sites. As such, together with the impairment on fixed assets and goodwill in Changchun and Jinzhou production sites amounted to HK$446 million, the Group’s net loss attributable to shareholders of the Company for the Year amounted to approximately HK$1,093 million (2013: HK$320 million).

Upstream products

(Sales amount: HK$1,504 million (2013: HK$2,166 million))
(Gross loss: HK$348 million (2013: HK$21 million))

During the Year, the revenue and gross profit of corn procurement business amounted to approximately HK$201 million and HK$2 million (2013: HK$148 million and HK$5 million) respectively. Internal consumption of corn kernels for upstream production during the Year was approximately 55,000 MT (2013: Nil).

During the Year, the sales volume of corn starch and other corn refined products were approximately 263,000 MT (2013: 350,000 MT) and 157,000 MT (2013: 315,000 MT) respectively. Internal consumption of corn starch was approximately 151,000 MT (2013: 181,000 MT), which was used as raw material for the production in the Group’s Jinzhou and Shanghai production sites.

The average selling prices of corn starch and other corn refined products remained at approximately HK$3,300 per MT (2013: HK$3,300 per MT) and HK$2,900 per MT (2013: HK$2,900 per MT) respectively. However, sales volume of corn starch and other corn refined products decreased by approximately 36.8% when compare to the corresponding period last year. In addition, due to mildew and deterioration, impairments of obsolete corn kernels were made in Changchun and Jinzhou production sites in total amounting to HK$223 million. Consequently, the corn starch segment recorded a gross loss margin of approximately 21.2% (2013: gross profit 2.1%) while other corn refined products segment recorded a gross loss margin of approximately 37.6% (2013: gross profit 5.7%) during the Year.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation continued during the Year and is expected to continue in 2015. As such, the Group decided to halt its production of upstream products in Changchun since 31 March 2014. In view of the current market conditions, the Group will relocate its production facilities for downstream products in the Changchun Site to the Xinglongshan Site. The Group will not be manufacturing any products at its facilities in the Changchun Site until it has completed relocation of its production facilities to the Xinglongshan Site and until market conditions improve.

Corn syrup

(Sales amount: HK$853 million (2013: HK$1,380 million))
(Gross profit: HK$97 million (2013: HK$103 million))

During the Year, revenue of corn syrup decreased by 38.2% to approximately HK$853 million (2013: HK$1,380 million). It was mainly attributable to the decrease in sales volume by 42.3% to approximately 242,000 MT (2013: 419,000 MT) as a result of low utilisation rate in Changchun production facilities pending for relocation. As such, gross profit decreased by 5.8% to approximately HK$97 million (2013: HK$103 million). On the other hand, the Group's Shanghai operation has focused on high-end market during the Year. As a result, the gross profit margin increased to approximately 11.4% (2013: 7.5%) with increased average selling price of 7.2%.

Internal consumption of corn syrup for downstream production during the Year decreased to approximately 13,000 MT (2013: 45,000 MT) which was mainly attributable to the decrease in production volume of corn syrup solid.

During the Year, the Group sold approximately 1,000 MT (2013: 123,000 MT) of corn syrup to the GBT Group.

Corn syrup solid

(Sales amount: HK$563 million (2013: HK$654 million))
(Gross profit: HK$61 million (2013: HK$56 million))

Sales volume of corn syrup solid decreased by approximately 10.7% as a result of low utilisation rate in Changchun production facilities. The average selling price of corn syrup solid decreased by 3.6% to approximately HK$3,500 per MT (2013: HK$3,700 per MT). Consequently, the revenue of corn syrup solid decreased by 13.8% to approximately HK$563 million (2013: HK$654 million).

During the Year, corn syrup solid segment recorded a gross profit of approximately HK$61 million (2013: HK$56 million) with a gross profits margin of 10.8% (2013: 8.6%) as the Group moved away from the low-end markets in the Northern China.

During the Year, no corn syrup solid (2013: 350 MT) was sold to the GBT Group.

Export sales

During the Year, the Group exported approximately 35,000 MT (2013: 76,000 MT) of upstream corn refined products and approximately 14,000 MT (2013: 19,000 MT) of corn sweeteners; their export sales amounted to approximately HK$73 million (2013: HK$172 million) and HK$54 million (2013: HK$80 million) respectively, together representing approximately 4.3% (2013: 6.0%) of the total revenue of the Group.

Other income and gains, operating expenses, finance costs and income tax

Other income and gains

During the Year, other income of the Group increased by 184.8% to approximately HK$131 million (2013: HK$46 million) which included gain on assets compensation as a result of the relocation of production facilities in the Changchun Site which amounted to approximately HK$103 million.

Selling and distribution costs

During the Year, the selling and distribution costs, representing 7.3% (2013: 5.7%) of the Group's revenue, represents a decrease of 10.1% to approximately HK$214 million (2013: HK$238 million). It was mainly attributable to the decrease in sales volume of the Group as a result of suspension of the Changchun production facilities since March 2014.

Administrative expenses

During the Year, the administrative expenses decreased by 3.5% to approximately HK$109 million (2013: HK$113 million), representing 3.7% (2013: 2.7%) of the Group's revenue. Such decrease was attributable to the suspension of the Changchun production facilities since 31 March 2014.

Other expenses

During the Year, other expenses of the Group increased substantially to approximately HK$131 million (2013: HK$45 million). Such increase was attributable to the reallocation of depreciation from cost of sales as a result of the idle capacity of the Changchun production facilities which amounted to approximately HK$112 million.

Finance costs

During the Year, finance costs of the Group decreased to approximately HK$79 million (2013: HK$97 million) as a result of the reduction in bank borrowings of approximately HK$316 million.

Income tax

Although the Group recorded a net loss during the Year, certain members of the Group in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, income tax expense amounted to approximately HK$11 million (2013: HK$11 million).

Net loss attributable to shareholders

As a result of the suspension of upstream operation in Changchun, poor product prices, decreased sales volume and impairment of goodwill and other assets, the Group recorded a net loss of approximately HK$1,093 million (2013: HK$320 million) during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

IMPORTANT TRANSACTIONS

Resumption of land and relocation of production facilities

Reference is made to the announcements of the Company dated 7 January 2014 and 31 March 2014. In response to the call of the local government to industrial companies to move their factories away from the central districts of Changchun which has been developed rapidly, the Group has accepted the resumption proposal and entered into compensation agreements (the "Compensation Agreements") with Changchun Land Reserve Centre（長春市土地儲備中心）on 30 December 2013 and 31 December 2013 respectively.

As part of the relocation plan of the Group's production facilities in Changchun, the Group has started gradually relocating its production facilities to the Xinglongshan Site in 2014. In light of the market sentiment of the upstream corn refinery, the Group has halted its production of upstream products in Changchun since 31 March 2014. During the Year, to meet the production requirement of the Group's downstream products in Changchun, the Group sourced corn starch externally from either independent third parties or the GBT Group.

The Board considers that the relocation of production facilities to the Xinglongshan Site provides a good opportunity for the Group to re-adjust its product mix to focus on high value-added products in order to adapt to the changing market needs. At the same time, by upgrading the current production facilities during the relocation process, the Group could further enhance operation efficiency and cost competitiveness.

Pursuant to the Compensation Agreements, the Group agreed to the resumption of a piece of land with an area of approximately 70,000 square metres located on the west side of Xihuancheng Road, Changchun, the PRC ("GSH Land") and the building and fixtures erected on the GSH Land. The Changchun Land Reserve Centre shall make a compensation of RMB35,320,000 (approximately to HK$44,150,000) in respect of the GSH Land, and a compensation of RMB86,480,000 (approximately to HK$108,100,000) in relation to the buildings and fixtures erected on the GSH Land.

As disclosed in the 2013 annual report of the Company issued on 11 April 2014, goodwill of HK$149,950,000 related to Changchun Dihao has been allocated to the group of assets which were identified by the management to be retained in Luyuan District, Changchun pending for the disposal of certain assets to the local government pursuant to a relocation plan ("Relevant Assets"). The value of the goodwill has been assessed by comparing the amount of relocation compensation with the carrying amount of the Relevant Assets.

During the Year, the Group received part of the resumption compensation amounting to RMB86,480,000 (approximately HK$108,100,000) and the Group recognised a gain on asset compensation of HK$102,669,000 based on the carrying value of associated assets held for sale of HK$5,431,000. Accordingly, there is a corresponding decrease in the recoverable amount of the Relevant Assets together with the goodwill after the above compensation was received and the carrying value of the associated assets amounting to HK$5,431,000 was derecognised. Accordingly, impairment loss of goodwill for Changchun Dihao amounting to HK$149,950,000 was recognised in other expenses during the Year.

As at the date of this report, the remaining part of the Group's production site in Changchun with an aggregate area of approximately 256,754 square metres and the production facilities erected thereon are pending for resumption and relocation. On 21 August 2014, Changchun Land Reserve Centre and the Group entered into mutual framework agreements by which the parties have reached a preliminary understanding on the intention of the resumption. It was agreed that the compensation shall be determined by the Changchun Land Reserve Centre and the Land Acquisition Reserve Transaction Fund Verification Centre（長春市土地儲備交易資金審核中心）, with reference to the valuation performed by a valuer to be appointed by Changchun Land Reserve Centre. It is expected that formal land resumption compensation agreements will be entered into after Changchun Land Reserve Centre and the Group agree on the final terms and conditions. For the reference of the Company's management, the Company has engaged an independent valuer to perform a valuation of the subject land, buildings, machineries and fixtures erected thereon. The valuation amounted to RMB665 million in aggregate as of 31 July 2014. The Company will make an announcement and comply with the relevant requirements under Chapter 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") once the formal agreement(s) shall have been finalised or signed, as and when necessary.

FINANCIAL RESOURCES AND LIQUIDITY

Inventories

As of 31 December 2014, the inventory level significantly decreased by 80.1% to approximately HK$213 million (31 December 2013: HK$1,069 million). The decrease of inventory level was mainly attributable to the impairment of deteriorated corn kernels of approximately HK$223 million and return of corn kernels to Dajincang of approximately HK$354 million. As such, the inventory turnover days decreased to approximately 25 days for the Year (31 December 2013: 96 days).

Net borrowing position

The Group's net borrowings decreased by 10.4% to approximately HK$851 million (31 December 2013: HK$950 million) as at 31 December 2014 as a result of the Group's concerted efforts in reducing the bank borrowings of approximately HK$316 million.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Year, the trade receivables turnover days decreased to approximately 47 days (31 December 2013: 61 days) which was mainly attributable to the stringent control on credit terms that has been applied.

During the Year, trade payables turnover days decreased to approximately 27 days (31 December 2013: 38 days) as part of the cash flow management.

The current ratio as at 31 December 2014 increased to approximately 1.20 (31 December 2013: 1.10) and quick ratio increased to approximately 1.01 (31 December 2013: 0.63) due to the decrease in current portion of interest-bearing bank borrowings. Gearing ratio in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 92.1% (31 December 2013: 51.8%). Despite the reduction in bank loans, the increase in gearing ratio was mainly due to the significant loss incurred by the Group during the Year. The loss before interest, taxes, depreciation and amortisation for continuing operation amounted to approximately HK$853 million (2013: HK$52 million).

Structure of interest bearing borrowings

As at 31 December 2014, the Group's bank borrowings amounted to approximately HK$1,041 million (31 December 2013: HK$1,358 million), of which no bank borrowing (31 December 2013: 1.9%) was denominated in US dollars and 5.8% (31 December 2013: 4.4%) was denominated in Hong Kong dollars while the remainder was denominated in Renminbi. The average interest rate during the Year increased to approximately 7.0% (2013: 5.9%) per annum as a result of the increase in the PRC borrowing rate.

During the Year, the Group was in compliance with the financial covenants as required in its current banking facilities and had no difficulty in renewing its banking facilities. At the same time, the Group proactively reduced its bank borrowings by 23.3% and implemented a series of measures to strengthen its liquidity management. Such measures included restructuring of certain short term borrowings to long term ones, recovery of trade receivables and reduction of corn inventory. Consequently, the Group's net borrowings decreased by 10.4% to approximately HK$851 million (31 December 2013: HK$950 million) as at 31 December 2014.

FOREIGN EXCHANGE EXPOSURE

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of business segments and overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

FUTURE PLANS AND PROSPECTS

It is the Group's mission to become one of the leading corn sweeteners manufacturers in Asia and a major player in the global market. To achieve these objectives, the Group will strive to enlarge its market share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders. In the short run, the Group will take the opportunity of the relocation of its production facilities to the Xinlongshan Site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products.

With respect to the financial position of the Group, the management will endeavour to overcome the challenges and adopt a prudent approach in face of the current market condition.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2014, the Group has approximately 1,350 (2013: 1,520) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, hence has placed great emphasis on the recruitment of qualified and experienced personnel to enhance the Group's production capability and products innovation. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commissions.

EXECUTIVE DIRECTORS

Mr. Kong Zhanpeng, aged 51, is an executive Director and the Chairman of the Company and is responsible for the Group's overall corporate development and management. Mr. Kong is one of the founders of GBT in 1994. He has over 19 years of extensive experience in industry, corporate development and management. Mr. Kong holds a Bachelor's degree in textile engineering and a diploma in international trade from the China Textile University. Mr. Kong was appointed as the chief executive officer of the Group on 20 May 2014. He was also an executive director of GBT from December 2013 to May 2014.

Mr. Lee Chi Yung, aged 40, is an executive Director, financial controller and company secretary of the Company. He is responsible for overseeing the Group's financial reporting procedures, internal controls and compliance Listing Rules and other relevant laws and regulations. Mr. Lee has over 14 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. He graduated from the City University of Hong Kong with a Bachelor's degree with honors in accountancy in 1996. He is a member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Lee joined the GBT Group in September 2000 and then the Group in August 2007 and was appointed as an executive Director in December 2009.

Ms. Wang Guifeng, aged 64, was appointed as an executive Director in March 2014. She is responsible for overseeing the finance and accounting functions of the Group's business in the PRC. Ms. Wang graduated from Changchun Vocational University, majoring in industrial accountancy. She is a member of the Chinese Institute of Certified Public Accountants with over 24 years of experience in accounting and financial resources management. She was an executive Director of the Company from September 2007 to September 2010, and an executive director of GBT from September 2010 to December 2013.

Mr. Nie Zhiguo, aged 43, was appointed as an executive Director in March 2014. He is the general manager of the Group's Jinzhou production site. Mr. Nie obtained a Master's degree in software engineering and domain engineering from University of Electronic Science and Technology of China in 2009. He joined GBT in 1997 and has over 20 years of experience in corn refinery and sweeteners industries. Mr. Nie joined the Group in 2001 after his appointment as the production engineer for the Group's high fructose corn syrup project, and has been serving the Group as the general manager of Jinzhou Dacheng Food Development Co., Ltd.. In November 2012, Mr. Nie was appointed as the general manager of the Group's Jinzhou production site.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yuk Tong, aged 52, holds a Bachelor's degree in Commerce from the University of Newcastle in Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. He has more than 27 years of experience in auditing, accounting, management consultancy and financial advisory services. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certificate Public Accountants and a member of CPA Australia. Mr. Chan was appointed as an independent non-executive Director in June 2008. Mr. Chan also holds directorship in the following publicly listed companies:

Company name	Stock code and position
Kam Hing International Holdings Limited	Hong Kong Stock Exchange: 02307 (independent non-executive director)
FDG Electric Vehicles Limited (formerly known as Sinopoly Battery Limited)	Hong Kong Stock Exchange: 00729 (independent non-executive director)
Ground Properties Company Limited (formerly known as China Motion Telecom International Limited)	Hong Kong Stock Exchange: 00989 (independent non-executive director)

In addition, Mr. Chan was an independent non-executive director of Ausnutria Dairy Corporation Ltd. (stock code: 01717) from September 2009 to January 2015; BYD Electronic (International) Company Limited (stock code: 00285) from March 2009 to June 2013; Daisho Microline Holdings Limited (stock code: 00567) from September 2004 to August 2013; Trauson Holdings Company Limited (stock code: 00325) (which was delisted) from June 2010 to July 2013; Xinhua Winshare Publishing and Media Co., Ltd. (stock code: 00811) from April 2007 to July 2013; and Anhui Conch Cement Company Limited (stock code: 00914) from June 2006 to May 2012. Mr. Chan was a non-executive director of Golden Shield Holdings (Industrial) Limited (stock code: 02123) during the period from June 2014 to December 2014. The above companies are listed on the Hong Kong Stock Exchange, with Anhui Conch Cement Company Limited listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

Mr. Ho Lic Ki, aged 66, completed the Chinese Senior Bankers Program offered by the University of Washington, Seattle, the USA. It was an in-house training programme in cooperation with the Bank of China (Hong Kong) in 1991 and obtained a Foundation Diploma in Management from the University of Hong Kong in 1994. He is also a holder of a Bachelor's Degree in Chinese Medicine (Dispensing), Hubei University of Chinese Medicine. Mr. Ho is a fellow member of Hong Kong Securities Institute ("HKSI") and was awarded as "Professional Manager" by the Hong Kong Management Association in 2008. Mr. Ho has about 40 years of experience in banking, finance and asset management. Mr. Ho was appointed as an independent non-executive Director in August 2007.

Mr. Lo Kwing Yu, aged 51, was appointed as an independent non-executive Director in March 2014. He is a solicitor and has been in private practice in Hong Kong since 1995. Mr. Lo holds a Bachelor's degree in law and economics from the University of Keele, United Kingdom. He was first admitted as a solicitor in England and Wales and then admitted as solicitor of the Supreme Court of Hong Kong. Mr. Lo is a consultant of Messrs. Y. T. Chan & Co.

SENIOR MANAGEMENT

Mr. Gao Yunchun, aged 50, is the vice president of Jilin Petrochemical Design and Research Institute. Mr. Gao graduated from Tianjin University with a Bachelor's degree in chemical engineering in 1987 and has about 16 years of experience in the field of chemical engineering and corn refinery industry. Mr. Gao was an independent non-executive Director from September 2007 to March 2014. He is now serving as a senior consultant of the Group in technology and facilities design areas.

Ms. Ge Yanping, aged 46, is the vice general manager of the Group's Shanghai production site, responsible for production and quality control management of the Shanghai plants. Ms. Ge graduated from Tonghua Normal University in Jilin Province in 2005, majoring in Chinese language and literature, and completed the financial information management courses organised by Shanghai Jiao Tong University in 2009. She has also obtained the FSSC 22000 internal auditor training certificate in 2012. Ms. Ge joined the Group in October 1999 and has over 14 years of experience in corn refinery and sweeteners industries. Ms. Ge was an executive Director from September 2007 to December 2008. In February 2014, Ms. Ge was appointed as the vice general manager of the Group's Shanghai production site.

Mr. Wen Gang, aged 43, is the general manager of the Group's Shanghai production site. Mr. Wen graduated from Jilin Grain College in 1996, and is now attending a course for the Master's degree in Business Administration organised by Jilin University. He joined the Group in August 1999 and served as the general manager of certain subsidiaries of the Group and GBT. He has over 17 years of experience in corn refinery and sweeteners industries. Since February 2014, Mr. Wen took the position of general manager of the Group's Shanghai production site. In addition, the Board has recommended to appoint Mr. Wen Gang as an executive Director and a member of the continuing connected transactions executive committee of the Company, and ordinary resolutions for the appointment of Mr, Wen Gang will be put forward for shareholders' approval at the Annual General Meeting.

Mr. Yu Quanhe, aged 48, is the general manager of the Group's Changchun production site. Mr. Yu graduated from Jilin Grain College in 1990, and obtained a Master's degree in Business Administration from Jilin University in 2012. He has also obtained the professional qualification in food engineering and he is a certified senior economist in economic management. Mr. Yu joined GBT in 1997 and served as the general manager of certain subsidiaries of GBT. He has over 24 years of experience in corn refinery and sweeteners industries. Mr. Yu was appointed as the general manager of the Group's Changchun production site in December 2012 and has been serving the Group since then.

CORPORATE GOVERNANCE REPORT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2014.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 20 May 2014, Mr. Zhang Fazheng ceased to be an executive Director and chief executive officer ("CEO") of the Group upon his retirement by rotation from the Board at the annual general meeting held on even date, due to the reaching of his retirement age. Mr. Kong Zhanpeng, the chairman of the Company and an executive Director, has been appointed as the CEO of the Group. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring effective and efficient decision making and management control.

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 of the Listing Rules (the "Model Code") set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the code of conduct of the Company during the Year.

BOARD OF DIRECTORS

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

	Meetings held and attended						
	Board meetings	Audit committee meetings	Nomination committee meetings	Remuneration committee meetings	Corporate governance committee meetings	Annual general meeting	Extraordinary general meeting
Executive Directors							
Kong Zhanpeng*	7/9		2/2	4/4		1/1	1/1
Zhang Fazheng**	4/9					0/1	1/1
Lee Chi Yung	9/9				2/2	1/1	1/1
Wang Guifeng***	4/9					0/1	1/1
Nie Zhiguo***	5/9					1/1	1/1
Independent Non-executive Directors							
Chan Yuk Tong****	8/9	3/3	2/2		2/2	1/1	1/1
Gao Yunchun*****	3/9	0/3		1/4		0/1	0/1
Ho Lic Ki****	8/9	3/3	2/2	3/4		1/1	1/1
Lo Kwing Yu*****	6/9	2/3		2/4	2/2	1/1	1/1

* Mr. Kong Zhanpeng was absent from two board meetings during the year ended 31 December 2014, as he was required to abstain from voting and absent from the meeting after disclosure of his conflict of interest. Mr. Kong attended seven out of nine board meetings during the year under review.

** Mr. Zhang Fazheng retired on 20 May 2014.

*** Ms. Wang Guifeng and Mr. Nie Zhiguo were appointed as executive Directors on 3 March 2014.

**** Mr. Ho Lic Ki and Mr. Chan Yuk Tong were absent from one board meeting during the year ended 31 December 2014, as they were required to abstain from voting and absent from the meeting after disclosure of their conflict of interest. Mr. Chan Yuk Tong and Mr. Ho Lic Ki attended eight out of nine board meetings during the year under review.

***** Mr. Gao Yunchun resigned as an independent non-executive Director on 3 March 2014 and Mr. Lo Kwing Yu was appointed as an independent non-executive Director on 3 March 2014.

As of the date of this report, the Board comprises seven Directors, being four 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 19 to page 20 of this report.

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

Board diversity

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

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

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

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

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

(1) at least one Director to be of an age below 56 and at least one Director to be of an age above 56;

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

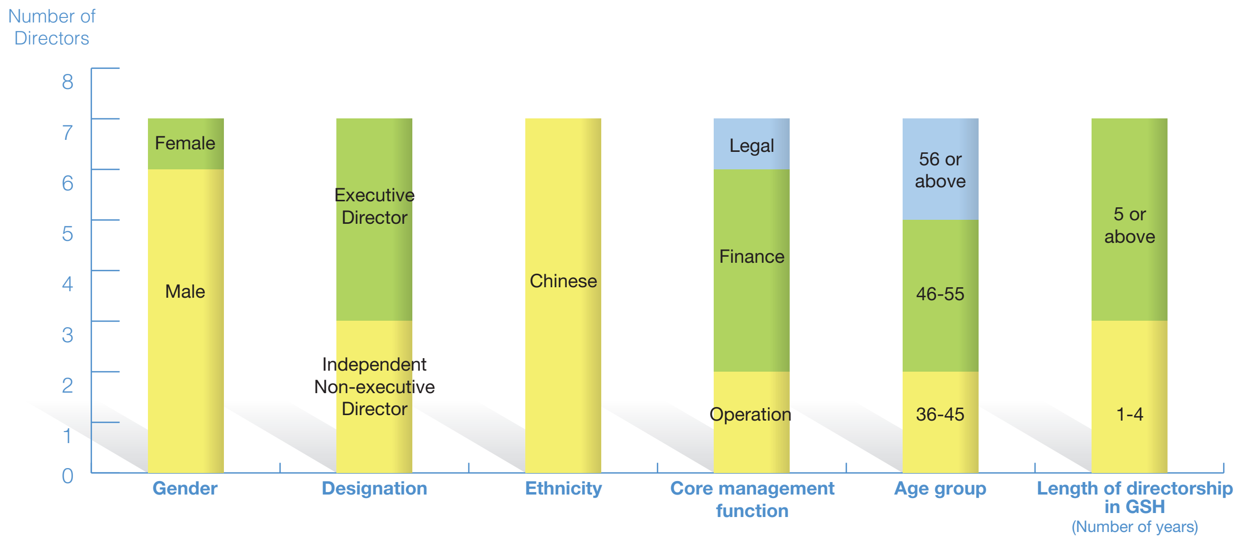
(3) at least one-third of the Board are holders of a Bachelor's degree or above;

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

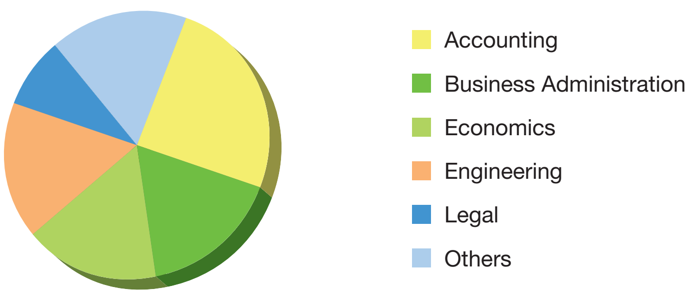
(5) at least one Director has relevant experience in the corn processing industry; and

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

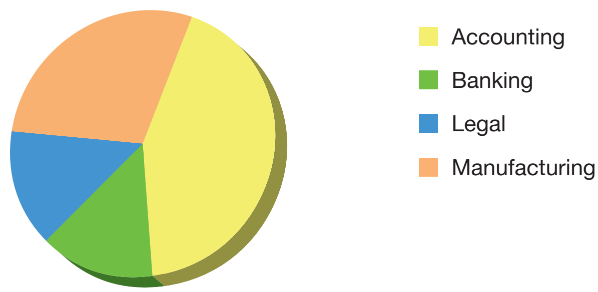
Up to the date of this report, composition of the Board is disclosed as below:



ACADEMIC BACKGROUND



BUSINESS EXPERIENCE



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

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

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

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

Directors' Training

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

During the Year, all Directors concerned have participated in four one-hour in-house workshops on the Listing Rules organised by the Company. The Directors also attended seminars, conferences and forums and reviewed journals and updates relating to the economy, general business and director's duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Kong Zhanpeng, the chairman of the Company and an executive Director, has been appointed as the chief executive officer of the Group with effect from 20 May 2014. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring effective and efficient decision making and management control.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Gao Yunchun and Mr. Ho Lic Ki have been appointed for an initial term of two years commencing from 1 September 2007, and Mr. Chan Yuk Tong has been appointed for an initial term of two years commencing from 1 June 2008. With effect from 3 March 2014, Mr. Gao Yunchun has resigned as an independent non-executive Director and Mr. Lo Kwing Yu has been appointed as independent non-executive Director for an initial term of two years. The terms of all independent non-executive Directors are renewable automatically for successive term of two years each commencing from the next day after the expiry of the then current term of appointment, unless terminated by not less than three months' notice in writing served by either party at any time during the then existing term.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

During the Year, Directors' remuneration is as follows:

	2014 HK$'000	2013 HK$'000
Fees	**1,130**	768
Other emoluments:		
Salaries, allowances and benefits in kind	**7,107**	5,855
Performance-related bonuses *(Note)*	**—**	1,170
Pension scheme contributions	**34**	30
	8,271	7,823

According to the Directors' service contracts and the supplemental agreements entered into between the Company and the executive Directors, each of the executive Directors is entitled to a basic salary, and the increase in salary of the executive Directors shall be determined by the remuneration committee of the Company (the "Remuneration Committee") or the Board. In addition, the management bonus of the executive Directors in respect of each financial year of the Company shall be determined pursuant to the mechanism adopted by the Board from time to time, or to be determined by the Board in its absolute discretion. Each Director will assess the performance of the Board by completing an annual questionnaire, and will perform reviews on the performance of other Directors against a set of key performance indicators. For the year ended 31 December 2014, a discretionary bonus of HK$200,000 is payable to an executive Director. (2013: HK$1,170,000).

Note:

Subsequent to the date of this report, a discretionary management bonus of HK$200,000 payable to an executive Director was approved by the Board in April 2015.

(a) Independent non-executive Directors

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

	2014 HK$'000	2013 HK$'000
Chan Yuk Tong	380	264
Gao Yunchun(1)	40	240
Ho Lic Ki	380	264
Lo Kwing Yu(2)	330	—
	1,130	768

Notes:

1. Mr. Gao Yunchun has ceased to be an independent non-executive Director since 3 March 2014.

2. Mr. Lo Kwing Yu was appointed as an independent non-executive Director on 3 March 2014.

There were no other emoluments payable to the independent non-executive Directors during the Year (2013: Nil).

(b) Executive Directors

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

	Salaries, allowances and benefits in kind HK$'000	Performance related bonus HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2014				
Kong Zhanpeng	3,600	—	17	3,617
Zhang Fazheng(1)	557	—	—	557
Lee Chi Yung	1,200	—	17	1,217
Nie Zhiguo(2)	250	—	—	250
Wang Guifeng(3)	1,500	—	—	1,500
	7,107	—	34	7,141
2013				
Kong Zhanpeng	3,600	675	15	4,290
Zhang Fazheng	1,055	270	—	1,325
Lee Chi Yung	1,200	225	15	1,440
	5,855	1,170	30	7,055

Notes:

1. Mr. Zhang Fazheng retired on 20 May 2014.

2. Mr. Nie Zhiguo was appointed as an executive Director on 3 March 2014.

3. Ms. Wang Guifeng was appointed as an executive Director on 3 March 2014.

(c) Senior Management

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

	2014 Number of individuals	2013 Number of individuals
Nil to 1,000,000	4	3

ACCOUNTABILITY AND AUDIT

The management of the Company is responsible for providing all relevant information to the Board, giving members with sufficient explanation and information they need to discharge their responsibilities. Board members are provided with monthly updates, including sales updates, projects launched, upcoming projects and financial position, which give the Board members a balanced and understandable assessment of the performance, position and prospects of the Group. A statement by the auditors of the Company in respect of their reporting responsibilities is set out in the Independent Auditor's Report.

The Directors are responsible for overseeing the preparation of financial statements of each financial year. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards in effect, made judgments and estimates that are appropriate, and prepared the financial statements on a going concern basis. For the year ended 31 December 2014, the auditors of the Company were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. The management are however, of the view that the Group will continue in business, for the reasons stated below:

The Group's production facilities are located in three different localities, namely, Jinzhou, Shanghai and Changchun with each production locality operating independently of each other.

With regard to the going concern on the continuity of operation in the Group's Jinzhou production site, an internationally renowned industry player has engaged a toll production framework agreement with Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng") to supply 40,000 MT of corn starch for the month of April 2015. The management expects the agreement will be renewed on monthly basis according to the current market condition. On an annual basis, it represents approximately 600,000 MT corn processing capacity. It is expected that such arrangement will generate healthy cash flow to Jinzhou Yuancheng.

Moreover, Jinzhou Yuancheng also obtained import quota of 150,000 MT of corn on 16 March 2015 approving Jinzhou Yuancheng to purchase imported corn for production starting in May 2015. Given the difference between the price of imported corns and domestic corns, Jinzhou Yuancheng could reasonably expect a stable profit starting from May 2015.

The management noted the Shanghai operation has been healthy and stable with positive cash inflows for the past years and expects stable performance in such operation in the coming year.

As to the Changchun operation, reference is made to section headed "Financial guarantee granted for the benefit of a major supplier" in this report and the announcement of the Company dated 31 March 2015 in relation to, among others, the provision of the Dajincang Financial Guarantee.

With the support of the Group's bankers in accordance with the government-led financial assistance, the immediate risk of Changchun Dihao being called upon against Dajincang to pay under the Dajincang Financial Guarantee is low. The management will take steps to limit the exposure of Changchun Dihao to the Group's assets in Changchun without affecting the other operations of the Group.

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

MANAGEMENT FUNCTIONS

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

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up an audit committee, a nomination committee, a Remuneration Committee and a corporate governance committee with clearly defined written terms of reference adopted in compliance with the CG Code. The Company has also set up a continuing connected transactions executive committee and a continuing connected transactions supervisory committee to monitor the continuing connected transactions between the Group and the GBT Group.

AUDIT COMMITTEE

The audit committee of the Company (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 and internal controls. The Audit Committee comprises all three independent non-executive Directors. As at the date of this report, the chairman of the Audit Committee is Mr. Chan Yuk Tong, and the other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Lo Kwing Yu.

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

The Audit Committee held three meetings during the Year.

The Audit Committee has reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and reviewed internal controls and financial reporting matters, and has reviewed the audited financial statements of the Group for the year ended 31 December 2014. Details of the disclaimer opinions and certain internal control weaknesses are disclosed in the section headed "Management response and remedial measures" on page 7 to page 13.

NOMINATION COMMITTEE

In compliance with the CG Code, the Company established its nomination committee ("Nomination Committee") on 1 April 2012 with a majority of the members thereof being independent non-executive Directors. The Nomination Committee comprises of an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, Mr. Chan Yuk Tong and Mr. Ho Lic Ki. Mr. Kong Zhanpeng is the chairman of the Nomination Committee. The duties of the Nomination Committee are, among others, determining policy for the nomination of directors, including the nomination procedures, processes and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the Year. The Nomination Committee also reviews the structure, size and composition of the Board and to makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" in this report.

The Nomination Committee held two meetings in 2014.

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

REMUNERATION COMMITTEE

At the date of this report, the members of the Remuneration Committee include an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Lo Kwing Yu. Mr. Ho Lic Ki is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, as well as on Group's policy and structure for the remuneration of Directors and senior management. The Remuneration Committee also assesses performance of executive Directors and approves the terms of executive Directors' service contracts. On 3 March 2014, Mr. Gao Yunchun ceased to be a member of the Remuneration Committee, and Mr. Lo Kwing Yu was appointed as a member of the Remuneration Committee.

In 2014, the Remuneration Committee held four meetings to review and make recommendations to the Board remuneration packages of the individual executive Directors and the senior management.

CORPORATE GOVERNANCE COMMITTEE

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

The Corporate Governance Committee held two meetings in 2014.

The Corporate Governance Committee reviewed the Company's policies and practices on corporate governance. Save as the provision of the Dajincang Financial Gurantees and the financial assistance to the GBT Group by the Group as outlined in the "Report of the Directors" on page 46 to page 47 of this report, the Corporate Governance Committee considered that the Company has complied with all code provisions in the CG Code during the Year.

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The continuing connected transactions executive committee of the Company (the "CCT Executive Committee") is responsible for monitoring, reviewing and managing the continuing connected transactions (the "CCT") between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare the CCT reports and submitting the same to the CCT supervisory committee of the Company (the "CCT Supervisory Committee") on regular basis. As at the date of this report, the members of the CCT Executive Committee comprise of Mr. Lee Chi Yung and Ms. Wang Guifeng, both being executive Directors.

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. On 3 March 2014, Mr. Gao Yunchun ceased to be a member of the CCT Supervisory Committee and Mr. Lo Kwing Yu was appointed as a member of the CCT Supervisory Committee. The main responsibilities of the CCT Supervisory Committee, among others, are:

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

(2) to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to purchase of corn starch from the GBT Group by the Group and the sale of corn sweeteners, corn starch and by-products (such as corn oil and corn steep liquor) ("By-products") by the Group to the GBT Group ("Proposed Sale and Purchase") as to whether they have been proceeded in accordance with the Prescribed Guidelines (the "CCT Quarterly Reports");

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

(4) in respect of the sales agency services (the "Sales Agency 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 half-year period ended 30 June or 31 December, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group; and

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

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

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

(2) in respect of the purchase of corn starch from the GBT Group in slurry form:

   (i) for the Group's purchase of corn starch in slurry form from the GBT Group for any particular calendar month (the "Relevant Month"), the CCT Executive Committee shall obtain the then quotations and other major commercial terms (including credit terms offered) for the supply of corn starch of comparable specifications and quantities in slurry form from at least one (or such number as may be required by the CCT Supervisory Committee from time to time) independent supplier by the end of the month immediately prior to the Relevant Month. The CCT Executive Committee shall, prior to the end of the Relevant Month and in any event on or before the price determination date as referred to in paragraph (iv) below, obtain the then quotations and major commercial terms from independent supplier(s) for supply of corn starch;

   (ii) if the quotations for supply of corn starch in slurry form obtained from the independent supplier(s) are exclusive of any of transportation, storage and/or insurance cost, the CCT Executive Committee shall estimate the additional unit cost to be incurred by the Group (whether by itself or through independent service provider(s)) in order for the Group to purchase the corn starch from such independent supplier(s) with supporting evidence ("Estimated Cost");

   (iii) the CCT Executive Committee shall obtain from the GBT Group the average unit selling price and other major commercial terms (including credit terms offered) for supply of corn starch of comparable quantities and specifications by the GBT Group to its independent customers during the Relevant Month up to the price determination date as referred to in paragraph (iv) below; and

(iv) the total purchase price and the commercial terms in respect of corn starch supplied by the GBT Group in slurry form to the Group during the Relevant Month shall be calculated within five business days prior to the end of the Relevant Month, which shall be determined by the CCT Executive Committee by using the lower of (a) the average unit selling price as referred to in paragraph (iii) above, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its independent customers; and (b) the quotations from independent supplier(s) as referred to in paragraph (i) above plus the Estimated Cost (where applicable) for the Relevant Month, as the unit purchase prices; and the most favourable terms to the Group among the commercial terms as referred to in paragraphs (i) and (iii) above as the terms of the purchase of corn starch from the GBT Group in slurry form for the Relevant Month respectively.

(3) in respect of sales of corn sweeteners to the GBT Group for the Relevant Month, the unit selling price and other commercial terms in respect of corn sweeteners supplied by the Group to the GBT Group during the Relevant Month shall be determined by the CCT Executive Committee within five business days prior to the end of the Relevant Month in the following manner:

(i) the CCT Executive Committee shall obtain market information regarding the market unit price of corn sweeteners of comparable specifications and quantities for the Relevant Month;

(ii) if there is insufficient information on market unit price available, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to independent customers for sales of corn sweeteners of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (iii) below; and

(iii) where the above market unit pricing information or the unit selling price offere to independent customers relate to corn sweeteners are of different specifications, the CCT Executive Committee shall make a detailed analysis as to how the unit selling prices should be determined with reference to the above market unit pricing information or the unit selling price offered by the Group to independent customers to ensure that the proposed selling price of corn sweeteners with such particular specifications is fair and reasonable and on normal commercial terms.

(4) in respect of sales of corn starch (in powder or slurry form) and By-products to the GBT Group for the Relevant Month, the unit selling price and other commercial terms in respect of corn starch (in powder or slurry form) and By-products supplied by the Group to the GBT Group during the Relevant Month shall be determined by the CCT Executive Committee within five business days prior to the end of the Relevant Month in the following manner:

(i) if the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) independent customer for sales of corn starch and By-products of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (iii) below;

(ii) if the Group has not sold corn starch and By-products of comparable specifications and quantities to at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) independent customer for the Relevant Month, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by independent suppliers to the Group for purchase of corn starch and By-products of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (iii) below; and

(iii) where the unit selling price offered to independent customers or unit selling price offered by independent suppliers relate to corn starch and By-products of different specifications, the CCT Executive Committee shall make a detailed analysis as to how the unit selling prices should be determined with reference to the above market unit pricing information or the unit selling price offered by the Group to independent customers or the unit selling price offered by independent suppliers to the Group to ensure that the proposed selling price of corn starch and By-products with such particular specifications is fair and reasonable and on normal commercial terms.

(5) the CCT Executive Committee shall submit to the CCT Supervisory Committee a quarterly report within 15 days from the end of each quarter in relation to the purchase of corn starch from, and the sales of corn sweeteners, corn starch (in powder or slurry form) and By-products to, the GBT Group during the quarter.

(6) in the event that there is any deviation from the terms of the relevant Master Agreements and/or any non-compliance with the Prescribed Guidelines in respect of any Non-exempt CCT entered into by any member of the Group during the period covered by the quarterly or, in respect of the Sales Agency Services from the GBT Group only, half-yearly report (including but not limited to non-compliance of the pricing basis), 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.

(7) the auditors of the Group will be engaged to review the Non-exempt CCT (other than the Sales Agency Services from the GBT Group) on a quarterly basis, and the Sales Agency Services from the GBT Group on a semi-annual basis, and shall report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.56 of the Listing Rules.

Four meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Sale and Purchase, the Utility Services and the Sales Agency Services entered into by the Group with the GBT Group during the Year. Details of findings have been published on 19 May 2014, 27 August 2014, 10 November 2014 and 1 April 2015. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase 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 and the Sales Agency Services rendered during the Year had been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the Shareholders.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, approximately HK$2,310,000 was incurred as remuneration to Ernst & Young for the provision of audit services and audit related remuneration of approximately HK$1,082,000 was paid to other certified public accountant firms for the provision of audit services of the subsidiaries of the Company located in the PRC. During the Year, the following amounts were paid as remuneration to Ernst & Young and other certified public accountant firms for the provision of non-audit related services to the Group:

	HK$'000
Taxation	78
Others	332
Total	410

COMPANY SECRETARY

The company secretary of the Company, Mr. Lee Chi Yung, who is also an executive Director, is responsible for supporting the Board, ensuring good information flow within the Board and Board policies and procedures are followed, advising the Board on corporate governance matters, facilitating induction, and monitoring the training and continuous professional development of Directors. He has attained no less than 15 hours of relevant professional training during the Year. Mr. Lee's biography is set out on page 19 of this report.

INVESTOR RELATIONS

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

The annual general meetings provide a useful forum for Shareholders to exchange views with the Board. Members of the Audit, Remuneration and Nomination Committees and the external auditors will also attend the annual general meetings to answer questions from the Shareholders.

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

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

As of 31 December 2014, details of Shareholders by type and aggregate shareholding are as follow:

	Number of shares held	Percentage of shareholding	Market capitalisation (HK$million)
GBT	978,278,000	64.04	308
Public float in Taiwan in the form of TDR	123,604,000	8.09	39
Public float in Hong Kong	425,704,000	27.87	134

An extraordinary general meeting was held on 3 March 2014 to approve the supply of corn starch and other by-products by the Group to the GBT Group for the two years ending 31 December 2015 and the sales of corn oil by the Group to GBT Group during the year ended 31 December 2013. All resolutions proposed were passed by way of poll.

The 2014 AGM was held on 20 May 2014 to approve the 2013 audited financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of Directors. All resolutions proposed were passed by way of poll.

The 2015 AGM will be held on 4 June 2015 to approve, among others, the 2014 audited financial statements, grant of the new issue mandate and the repurchase mandate, the re-election of Directors and the appointment of Director.

INTERNAL CONTROLS

The Board is entrusted with the overall responsibility of establishing, maintaining and assessing the Group's internal control 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 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 role of the Audit Committee is, through discussion with management and engagement of external consultants, to review the effectiveness of internal control systems, including financial, operational and compliance controls and risk management functions, and to report to the Board any significant risk issues.

On 12 September 2014, the Board engaged BDO Financial Services Limited ("BDO") to conduct a review on the effectiveness of the internal control systems of the Group, and where weaknesses are identified, to recommend means for improvement to the Audit Committee. The Board has reviewed the effectiveness of the Group's internal control systems based on the assessment of the Audit Committee and BDO. The Company has complied with the CG Code on internal controls during the Year.

As disclosed in the results announcement and an announcement dated 31 March 2015 of the Company regarding, among others, the provision of financial assistance to a supplier and the GBT Group, the Board has identified a number of internal control weaknesses during the audit of 2014. The Company has formulated the relevant action plan to address these weaknesses, details of which have been outlined in the section headed 'Management response and remedial measures' on page 7 to page 13 of this report. The Company will appoint a firm of independent professionals to review the internal control procedures and recommend on any corrective or enhancement procedures required.

Environmental, Social and Governance Report

The Company has published the Environmental, Social and Governance report on the website of the Company at www.global-sweeteners.com under the heading "Corporate Information".

SHAREHOLDERS' RIGHTS

1. Procedures for Shareholders to convene an extraordinary general meeting

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

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

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

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

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

2. Procedures for raising enquiries

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

The Directors hereby present their report and the audited financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn based sweetener products. Details of the principal activities of the principal subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 53 to page 123.

The Directors do not recommend a payment of final dividend for the year ended 31 December 2014 (2013: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2014 and the published combined financial information of the Group for the four years ended 31 December 2010, 2011, 2012 and 2013, as extracted from the audited financial statements and restated as appropriate, is set out on page 124. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in note 29 and note 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("Companies Law") of the Cayman Islands, amounted to approximately HK$1,147,462,000. 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 2014 is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 29.9% of the total sales for the Year and sales to the largest customer included therein accounted for approximately 12.1% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for approximately 42.3% of the total purchases for the Year, and purchases from the largest supplier included therein accounted for approximately 31.4% of the total purchases of the Year.

Except for the GBT Group and Mr. Kong Zhanpeng (the Chairman of the Company), no other Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors:
Kong Zhanpeng
Zhang Fazheng *(Retired on 20 May 2014)*
Lee Chi Yung
Wang Guifeng *(Appointed on 3 March 2014)*
Nie Zhiguo *(Appointed on 3 March 2014)*

Independent non-executive Directors:
Chan Yuk Tong
Gao Yunchun *(Resigned on 3 March 2014)*
Ho Lic Ki
Lo Kwing Yu *(Appointed on 3 March 2014)*

In accordance with article 108(A) of the Articles of Association, Ms. Wang Guifeng and Mr. Lee Chi Yung, both being executive Directors, and Mr. Ho Lic Ki, an independent non-executive Director, will retire by rotation at the AGM.

Ms. Wang Guifeng will not offer herself for re-election at the AGM. Mr. Lee Chi Yung and Mr. Ho Lic Ki, being eligible, will offer themselves for re-election at the AGM.

The Company has received annual confirmations from each of Mr. Chan Yuk Tong, Mr. Gao Yunchun and Mr. Ho Lic Ki of their independence during the Year. On 3 March 2014, Mr. Gao ceased to be an independent non-executive Director and Mr. Lo Kwing Yu was appointed as an independent non-executive Director. The Company has also received confirmation from Mr. Lo of his independence during the Year. As at the date of this report, the Company still considers all independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on page 19 to page 21 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Kong Zhanpeng, Mr. Zhang Fazheng, and Mr. Lee Chi Yung have entered into service contracts with the Company for an initial term of three years which commenced on 1 September 2007, 1 June 2008 and 8 December 2009, respectively and renewable automatically for successive term of one year. Ms. Wang Guifeng and Mr. Nie Zhiguo have entered into service contracts with the Company for an initial term of three years which commenced on 3 March 2014 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. Mr. Zhang Fazheng retired as an executive Director on 20 May 2014.

The independent non-executive Directors, Mr. Ho Lic Ki, Mr. Chan Yuk Tong and Mr. Lo Kwing Yu, have entered into appointment letters with the Company for an initial term of two years which commenced on 1 September 2009, 1 June 2008 and 3 March 2014 respectively, and are renewable automatically for successive term of two years. Each of the above appointment letters may be terminated by either party by giving not less than three months' written notice. Mr. Gao Yunchun resigned as an independent non-executive Director on 3 March 2014.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

Save that Mr. Kong Zhanpeng, being an executive Director, was indirectly interested in the contracts made between the Group and the GBT Group as disclosed in the paragraph headed "Continuing connected transactions" of this report, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

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.

SHARE OPTION SCHEME

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

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

Participants	Outstanding as at 1 January 2014	Granted during the Year	Cancelled or lapsed during the Year	Exercised during the Year	Outstanding as at 31 December 2014	Date of grant of share options	Exercise period of share options	Vesting period of share option	Exercise price of share options HK$ per share	Closing price immediately before the grant date HK$ per share
Kong Zhanpeng	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Zhang Fazheng*	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Lee Chi Yung	4,000,000	–	–	–	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Chan Yuk Tong	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees	3,400,000	–	(500,000)	–	2,900,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participants	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
	25,400,000	–	(500,000)	–	24,900,000					

* Retired on 20 May 2014

As at 31 December 2014, the options granted to subscribe for 24,900,000 Shares remained outstanding, representing approximately 1.63% of the issued share capital of the Company at that date.

As at the date of this annual report, 24,900,000 Shares were available for issue under the Scheme, representing approximately 1.63% of the issued share capital of the Company at that date.

Further details of the Scheme are disclosed in note 30 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and short positions in the shares ("Share"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	The Company/ name of associated corporation	Capacity/nature of interest	Number and Class of securities held (Note 1)	Percentage of the relevant class of issued share capital of the Company/ associated corporation
Kong Zhanpeng	The Company	Interest of a controlled corporation	1,984,000 Shares (L) (Note 2)	0.13
	The Company	Beneficial owner	6,000,000 Shares (L) (Note 3)	0.39
	Global Bio-chem Technology Group Company Limited ("GBT")	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.56
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) (Note 4)	7.41
Lee Chi Yung	The Company	Beneficial owner	4,000,000 Shares (L) (Note 5)	0.26
Nie Zhiguo	The Company	Beneficial owner	16,000 Shares (L)	0.0010
	GBT	Beneficial owner	12,400 ordinary shares of HK$0.10 each (L)	0.0004
Chan Yuk Tong	The Company	Beneficial owner	2,000,000 Shares (L) (Note 6)	0.13
Ho Lic Ki	The Company	Beneficial owner	2,000,000 Shares (L) (Note 7)	0.13

Notes:

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

2. These shares are held by Hartington Profits Limited.

3. These shares are underlying shares comprised in the options granted to Mr. Kong Zhanpeng pursuant to the Scheme.

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

5. These shares are underlying shares comprised in the options granted to Mr. Lee Chi Yung pursuant to the Scheme.

6. These shares are underlying shares comprised in the options granted to Mr. Chan Yuk Tong pursuant to the Scheme.

7. These shares are underlying shares comprised in the options granted to Mr. Ho Lic Ki pursuant to the Scheme.

Saved as disclosed above, as at 31 December 2014, none of the Directors and the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

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

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

Saved as disclosed above, no person, other than the Directors and chief executive of the Company has, as of 31 December 2014, 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.

SALE OF EQUIPMENT AND SPARE PARTS BY THE GROUP TO THE GBT GROUP

Reference is made to the announcement of the Company dated 13 October 2014. On 10 October 2014, the Group and certain members of the GBT Group entered into agreements for the sale of certain equipment and spare parts by the Group to certain members of the GBT Group. Set out below are the details of such agreements:

The Equipment and Spare Parts Sale Agreement

Date:	10 October 2014
Parties:	Member of the Group as seller Members of the GBT Group
Assets to be sold:	Equipment and relevant spare parts for production of corn starch and by-products.
Consideration:	Approximately RMB6,164,000 (equivalent to approximately HK$7,705,000). The consideration was determined after arm's length negotiation between the parties with reference to the net book value of the assets to be sold under the Equipment and Spare Parts Sale Agreement, and approximately 5% of premium over the net book value of the equipment.
Payment Term:	The consideration of approximately RMB2,614,000 (equivalent to approximately HK$3,267,500) has been paid by the GBT Group to the Group before the date of signing of the Equipment and Spare Parts Sale Agreement and the balance of approximately RMB3,550,000 (equivalent to approximately HK$4,437,500) shall be payable by the GBT Group to the Group in cash within 15 days from the date of installation, testing, passing examination and commencement of normal operation of the equipment and spare parts.
Delivery:	The GBT Group shall be responsible to arrange for the delivery of the equipment and spare parts at its own expenses.

The Spare Parts Sale Agreement

Date:	10 October 2014
Parties:	Member of the Group as seller Members of the GBT Group

Consideration:	Approximately RMB93,000 (equivalent to approximately HK$116,250). The consideration was determined after arm's length negotiation between the parties with reference to the net book value of the assets to be sold under the Spare Parts Sale Agreement.
Payment Term:	The consideration of approximately RMB93,000 (equivalent to approximately HK$116,250) has been paid by the GBT Group to the Group in cash before the date of signing of the Spare Parts Sale Agreement.
Assets to be sold:	Spare parts of the equipment for production of corn starch and by-products.
Delivery:	The GBT Group shall be responsible to arrange for the transportation of the spare parts at its own expenses.

As part of the relocation plan of the Group's production facilities, the Group will start gradually relocating its production facilities to the new site in Xinglongshan, Changchun, the PRC. In light of the then market sentiment of the upstream corn refinery, the Group has halted its production of its upstream products in Changchun. As a result, some of the equipment, spare parts and materials have become idle. The transactions contemplated under the agreements will therefore allow the Group to dispose of its idle assets and better utilise its resources, and at the same time to increase the overall utilisation rate of its equipment and reduce the production costs of the Group.

As GBT is a controlling shareholder interested in approximately 64.04% of the issued share capital of the Company, the GBT Group is a connected person of the Company. As such, the transaction contemplated under the agreements constituted connected transaction for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as stipulated under Rule 14.07 of the Listing Rules in respect of the transaction are all below 5%, the transaction is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

PROVISION OF FINANCIAL ASSISTANCE BY THE GROUP TO THE GBT GROUP

Reference is made to the announcement of the Company dated 31 March 2015 ("March Announcement"), in relation to (1) the provision of financial assistance by the Group to the GBT Group, (2) provision of financial assistance by the Group to a supplier to the Group, (3) suspension and relocation of production operations at Luyuan District, Changchun, and (4) possible disposal of lands and buildings by the Group. In December 2014 and February 2015, certain members of the Group entered into a mortgage in favour of Bank A ("Mortgage A") and a mortgage in favor of Bank B ("Mortgage B") for the provision of mortgage security in favour of certain banks in the PRC for the benefit of certain members of the GBT Group, namely, 長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.) ("Changchun Dahe") and 長春大成生物科技開發有限公司 (Changchun Dacheng Bio-tech Development Co., Ltd.) ("Changchun Dacheng Bio-tech").

As at the date of this report, GBT is a controlling shareholder of the Company holding approximately 64.04% of the entire issued share capital of the Company. Changchun Dahe and Changchun Dacheng Bio-tech are wholly-owned by GBT and hence are associates of GBT. Accordingly, the financial assistance provided to Changchun Dahe by Changchun Dihao under Mortgage A and to Changchun Dacheng Bio-Tech by Changchun Dihao 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") under Mortgage B constituted connected transactions for the Company under Chapter 14A of the Listing Rules. Mortgage A and Mortgage B are aggregated as a single transaction pursuant to Rules 14.22 and 14A.81 of the Listing Rules as these financial assistance were provided for the benefit of the same party within a 12-month period. As the applicable percentage ratios (other than the profits ratio) either alone or on an aggregate basis, are more than 25%, the financial assistance provided under Mortgage A and Mortgage B both constituted a major transaction of the Company under Chapter 14 of the Listing Rules and a non-exempted connected transaction of the Company under Rule 14A of the Listing Rules.

In addition, as the assets ratio of the financial assistance provided by Changchun Dihao and Dihao Crystal Sugar under both Mortgage A and Mortgage B was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rule 13.16 of the Listing Rules.

As such, the failure by the Company to comply with the reporting, announcement and independent shareholders' approval requirements in respect of Mortgage A and Mortgage B constituted non-compliance with Rule 13.16 and Chapters 14 and 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

Sourcing of utilities services

Pursuant to the utilities master supply agreement dated 30 August 2012, the GBT Group provided utility services including electricity, water, steam and wastewater treatment services to all of its subsidiaries at Changchun, including the Group's production plants at Changchun on arm's length basis and with reference to the actual cost incurred by the GBT Group for its provision of such services. Under the utilities service master supply agreement, the fees payable by the Group shall be settled on a monthly basis and shall be payable by the Group within 90 days after the date of the relevant invoice issued by the GBT Group. During the Year, amounts payable by the Group in respective of provisions of these utilities services by the GBT Group amounted to HK$39 million.

Purchase of corn starch

Pursuant to the corn starch master purchase agreement dated 30 August 2012, the Group has been sourcing corn starch either in the form of starch powder or starch slurry, from the GBT Group as one of the principal production materials for the Group's production. Under the corn starch master purchase agreement, the prices shall be from time to time determined by the relevant members of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would be set out in the purchase order for each order to be placed under the corn starch master purchase agreement, provided that the purchase price shall be payable by the relevant member of the Group within 60 days after the date of the relevant invoice issued by the relevant member of the GBT Group. During the Year, purchase of corn starch from the GBT Group by the Group amounted to HK$92 million.

Supply of corn sweeteners

Pursuant to the corn sweeteners master sales agreement dated 30 August 2012, the GBT Group has been sourcing corn sweeteners, including sorbitol, from the Group as one of the principal production materials for the GBT Group's production of amino acid and polyol products on arm's length basis and with reference to the prevailing market rates of the relevant corn sweeteners and on such other standard terms of sale and purchase from time to time, provided that such terms are on normal and usual commercial terms and are no more favourable as those applicable to the sales of the same type and quality of corn sweeteners for comparable quantity by the Group to independent third parties. Under the corn sweeteners master sales agreement, the payment terms for the products would be set out in the purchase order for each order to be placed under the agreement, provided that the purchase 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 Group. During the Year, sales of corn sweeteners, by the Group to the GBT Group amounted to HK$4 million.

Supply of corn starch and by-products

Pursuant to the upstream products master sales agreement dated 30 August 2012, the GBT Group has been sourcing corn starch either in the form of corn steep liquor or starch slurry, from the Group as one of the principal production materials for the GBT Group's production. Under the upstream products master sales agreement, the prices shall be from time to time determined by the relevant members of the GBT Group and the Group on arm's length basis and with reference to the prevailing market rates of corn starch powder, with adjustments to be made to the purchase price with reference to the delivery arrangement between the Group and the GBT Group. The payment terms for the products would be set out in the purchase order for each order to be placed under the upstream products master sales 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. Upon the entering into of corn starch and by-products master sales agreement dated 3 March 2014, the upstream products master sales agreement was terminated contemporaneously. The terms under the upstream products master sales agreement and the corn starch and by-products master sales agreement are substantially the same, except that pursuant to the corn starch and by-products master sales agreement, corn starch powder and by-products such as corn oil will also be supplied to the GBT Group. During the Year, sales of corn starch from the Group to the GBT Group amounted to HK$19 million.

Sales agency service

Pursuant to the sales agency agreement dated 12 December 2013, the Group has appointed the GBT Group as exclusive agent for the sale of corn starch, corn steep liquor, corn oil, germ cake, corn fiber feed, corn gluten meal, corn gluten feed pellets and such other products that are sold by the Group which are not required by the Group or in excess of the internal consumption of the Group from time to time. The Group shall reimburse the GBT Group for its costs for the performance of its obligations under the sales agency agreement on a semi-annual basis and there will not be any other agency fee being charged by the GBT Group for the services rendered. During the Year, the fee paid by the Group to the GBT Group for the sales agency service amounted to HK$3,783,000.

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

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

Save for the aforementioned continuing connected transactions and connected transactions disclosed in this report, the related party transactions disclosed in note 34 to the financial statements are either exempted connected continuing transactions or non-exempted continuing connected transactions which have complied with the requirement of Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

NON-COMPETE UNDERTAKINGS

The GBT Group is engaged in, among other things, the production and sale (the "Excluded Business") of corn starch, steepwater liquid, corn oil, germ cake, corn fibre feed, corn gluten meal, corn gluten feed pellets and other co-products ("Co-Products"). Pursuant to a non-compete undertaking ("Non-compete Undertaking") given by GBT and Global Corn Bio-chem dated 3 September 2007 in favour of the Group (as supplemented by a waiver executed by the Company to GBT and Global Corn Bio-chem dated 24 September 2008), the GBT Group is restricted from engaging in any business that may compete with the business of the Group from time to time.

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

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

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Reference is made to the March Announcement and the section headed "Management Response and Remedial Measures – 1. Financial guarantees granted for the benefits of a major supplier" in the Management Discussion and Analysis of this report.

During November 2010 to March 2015, certain members of the Group entered into the Dajincang Financial Guarantees for the benefit of Dajincang in respect of certain bank borrowings that are notifiable transactions for the Company under the Listing Rules. Details of the Dajincang Financial Guarantees are as follows:

Date of guarantee	26/11/2010	15/12/2011	31/12/2012	5/3/2014	4/3/2015
Name of bank	Bank C	Bank C	Bank C	Bank C	Bank C
Guarantors	Changchun Dihao and Changchun Jincheng	Changchun Dihao and Changchun Jincheng	Changchun Dihao	Changchun Dihao	Changchun Dihao
Guaranteed Amount	All indebtedness due and owing to Bank C pursuant to any loan agreements or other documents signed by Dajincang between 26/11/2010 to 26/11/2011 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank C pursuant to any loan agreements or other documents signed by Dajincang between 15/12/2011 to 8/12/2012 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank C pursuant to any loan agreements or other documents signed by Dajincang between 26/12/2012 to 13/12/2013 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank C pursuant to any loan agreements or other documents signed by Dajincang between 1/1/2014 to 16/12/2014 and up to a maximum guaranteed amount of RMB2.5 billion.	All indebtedness due and owing to Bank C pursuant to any loan agreements or other documents signed by Dajincang between 1/1/2015 to 16/4/2015 and up to a maximum guaranteed amount of RMB2.5 billion.
Principal amount outstanding as of the date of this report	Nil	Nil	Nil	RMB1.96 billion	RMB530 million
Date of expiry of the guarantee	Two years from 26/11/2011, i.e. 26/11/2013	Two years from 8/12/2012, i.e. 8/12/2014	Two years from 13/12/2013, i.e. 13/12/2015	Two years from 16/12/2014, i.e. 16/12/2016	Two years from 16/4/2015, i.e. 16/4/2017

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Bank C and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Bank C is a stock exchange listed State majority owned joint stock company principally engaged in the provision of banking services. Changchun Dihao and Changchun Jincheng did not receive any fee or commission for entering into the Dajincang Financial Guarantees.

Based on inquiries made by the management of the Company, the first Dajincang Financial Guarantee was entered into in 2010 for the purposes of saving financing costs under a programme devised by GBT's PRC management as Dajincang was the largest supplier of the GBT Group (including the Group).

As part of its functions, Dajincang had to buy corn kernels from local farmers primarily in cash, store them and sell them to users or the local government as strategic reserves. Because the GBT Group was Dajincang's major customer, Dajincang had to utilise large cash resources and/or drawdown significant loan facilities to buy corn kernels for resale to the GBT Group (including the Group) regularly.

In response to requests by Dajincang to shorten credit periods in 2010, the GBT Group's PRC management, who were expecting to incur additional financing costs if the credit periods were so shortened, sought to minimise such costs by offering the Dajincang Financial Guarantees to Dajincang's bank lenders.

Dajincang was also a direct major supplier to the Group, though to a lesser value. In addition, since some of the corn kernels of Dajincang bought by the GBT Group were used to produce starch supplied to the Group, Dajincang was also an indirect supplier of corn starch to the Group. On this basis, Changchun Dihao and Changchun Jincheng also entered into some of the Dajincang Financial Guarantees.

As the provision of guarantee under the Dajincang Financial Guarantees constituted an advance to an entity under Rule 13.13 of the Listing Rules, and since the assets ratio of the guarantee provided by the Group was more than 8% as at 31 December 2014 and the date of this report, the Company's general disclosure obligation under Rule 13.20 of the Listing Rules of the Dajincang Financial Guarantees arose.

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

As recommended by the Remuneration Committee and approved by the Board on 30 May 2014, the director's fee of the three independent non-executive Directors, being Mr. Chan Yuk Tong, Mr. Ho Lic Ki and Mr. Lo Kwing Yu, has been increased to an annual director's fee of HK$420,000 with effect from 1 June 2014.

On 20 April 2015, it was further recommended by the Remuneration Committee and approved by the Board that the salary of Mr. Lee Chi Yung, an executive Director, has been increased to HK$150,000 per month with effect from 1 January 2015; and the annual director's fee of each of Mr. Chan Yuk Tong, Mr. Ho Lic Ki and Mr. Lo Kwing Yu, being the independent non-executive Directors, have been increased to HK$480,000 with effect from 1 April 2015.

In addition, supplemental agreements have been entered into between the Company and Mr. Kong Zhanpeng, Mr. Lee Chi Yung and Mr. Nie Zhiguo, all are the executive Directors, on 20 April 2015, in relation to amendment of terms of the service agreements of the executive Directors, regarding basis of determining discretionary management bonus and the annual increment of the basic salary of the executive Directors. Pursuant to the supplemental agreements, increase in salary of the executive Directors shall be determined by the remuneration committee of the Company or the Board, and the management bonus of the executive Directors in respect of each financial year of the Company shall be determined pursuant to the mechanism adopted by the Board from time to time, or to be determined by the Board in its absolute discretion.

EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

Suspension and relocation of production operations at Luyuan District, Changchun

Reference is made to the March Announcement. In view of the current market conditions, the Group will be taking the opportunity to relocate its production facilities for downstream products in Luyuan District in Changchun to its Xinglongshan site. Coupled with the temporary halt of production of upstream products in Luyuan District as announced on 31 March 2014, the Group would not be manufacturing any products at its production facilities in Luyuan District until it has completed relocation of its production facilities to Xinglongshan and market conditions improve. Its operations at Shanghai and Jinzhou will, however, continue.

Pending the resumption of production at Xinglongshan, the Group will, if necessary, source corn starch externally from either independent third parties or the GBT Group pursuant to the corn starch master purchase agreement entered into between the Group and the GBT Group on 30 August 2012.

Possible disposal of lands and buildings by the Group

Reference is made to the March Announcement. The Group are owners of the certain lands and buildings located in Changchun, the PRC ("Subject Tract") with a total site area of some 256,754 sq. m. and buildings erected thereon with total gross floor area of about 112,528 sq.m.. The lands (with the buildings thereon) on the Subject Tract are owned by different members of the Group.

The owners of the Subject Tract (as well as the GBT Group and 長春大成生化飼料開發有限公司 (Changchun Dacheng Bio-feed Development Co., Ltd.) as owners of adjacent land plots) are in advance negotiations with Changchun Land Reserve Centre for a resumption of the Subject Tract. A preliminary valuation of the Subject Tract indicates that it has a valuation of some RMB500 million. Based on the book values attributable to the lands and buildings comprised in the Subject Tract as at 31 December 2014, a resumption of land will constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules. If these transactions proceed, further announcement(s) will be made by the Company. It should however be noted that there is no binding agreement for a resumption of the all or any part of the Subject Tract, or when such agreement may be entered into, or the amount of compensation payable.

AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the AGM.

ON BEHALF OF THE BOARD

Kong Zhanpeng
Chairman

EY 安永

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

We were engaged to audit the consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on page 53 to page 123, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our 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.

Except for the inability to obtain sufficient appropriate audit evidences as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Financial guarantee contracts

During the course of our audit, we identified that the Group had issued guarantees to banks in connection with facilities granted to a major supplier which amounted to RMB3 billion at 31 December 2010, 2011, 2012 and 2013 and RMB2.5 billion as at 31 December 2014. These financial guarantee contracts were not recognised in the Group's financial statements. As the management has not assessed the fair value of these guarantees, as required by Hong Kong Accounting Standard ("HKAS") 39 *Financial Instruments: Recognition and Measurement* issued by the Hong Kong Institute of Certified Public Accountants, we are unable to quantify the impact of this departure on the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

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

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Inventory losses

As disclosed in note 6 to the financial statements, for the year ended 31 December 2014, the Group recorded the following (i) in cost of sales a loss of HK$223 million for the disposal of certain corn kernels with deteriorated quality; and (ii) in cost of sales a provision of HK$32 million against certain corn kernels with significant reduction in production yield. We have not been provided with sufficient supporting documents for these transactions and we are unable to ascertain whether these transactions recorded in the consolidated statement of profit or loss were fairly stated. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Inventories

Included in the Group's inventories balance as at 31 December 2014 were corn kernels of HK$39 million, which were kept at locations outside of the Group's premises. We were unable to perform effective audit procedures and to obtain sufficient appropriate audit evidence to verify the ownership of these inventories. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Other receivable

Included in the Group's prepayment, deposit and other receivable balance as at 31 December 2014 was an outstanding receivable due from a major supplier amounting to HK$354 million, arisen from the return of certain corn kernels to the supplier recorded by the Group during the year. We have not been provided with sufficient supporting documents for the inventories returned to the supplier and we are unable to ascertain whether the sales return was fairly stated. Furthermore, we were unable to obtain sufficient audit evidence to verify the nature of the balance and the recoverability of the outstanding balance due from the supplier. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Amounts due from the ultimate holding company and the fellow subsidiaries

The Group had outstanding amounts due from the ultimate holding company, amounts due from the fellow subsidiaries and trade receivables due from the fellow subsidiaries of HK$22 million, HK$154 million and HK$71 million, respectively, as at 31 December 2014. As significant losses sustained by the ultimate holding company and the fellow subsidiaries during the year ended 31 December 2014, we were unable to obtain sufficient audit evidence on the recoverability of these balances. Any adjustments found to be necessary would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Accounts payable

Included in the Group's trade and bills payables balance as at 31 December 2014 were aggregate accounts payable of HK$228 million. We were unable to obtain adequate confirmation responses up to the date of our report. Any adjustment to the accounts payable balances found to be necessary should our circularisation procedures have been satisfactorily completed would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

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

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Impairment of non-current assets

As at 31 December 2014, the Group recorded property, plant and equipment of HK$1,194 million (net of depreciation and impairment), prepaid land lease payments of HK$178 million, deposits paid for acquisition of property, plant and equipment of HK$2 million, and intangible assets of HK$3 million, and full provision of impairment has been made on goodwill. Based on the management's assessment of impairment, a provision for impairment losses of HK$438 million was made during the year end 31 December 2014. However, due to the continued significant losses sustained by the Group, we were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the directors' impairment estimation. Any adjustments found to be necessary to the amount provided for the impairment would have an effect on the Group's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Impairment of investments in subsidiaries and amounts due from subsidiaries

As at 31 December 2014, the Company had recorded investments in subsidiaries of HK$584 million (net of impairment) and amounts due from subsidiaries of HK$785 million (net of impairment), in the statement of financial position. Based on the management's assessment of impairment, a provision for impairment losses of HK$833 million was made during the year ended 31 December 2014. Due to the significant losses sustained by the subsidiaries during the year, we were unable to obtain sufficient appropriate evidence to assess the appropriateness of the directors' impairment estimation. Any adjustments found to be necessary to the amounts provided for the impairment would have an effect on the Company's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the financial statements of the Company.

Financial guarantee contracts of the Company

As at 31 December 2014, the Company recognised financial guarantee contracts of HK$47.9 million which were related to the financial guarantees to banks in connection with facilities granted to the Company's subsidiaries. The fair value of the financial guarantee contracts was based on the directors' estimation. Due to the significant losses sustained by the subsidiaries during the year, we were unable to obtain sufficient appropriate evidence to assess the appropriateness of the directors' estimation. Any adjustments found to be necessary would have an effect on the Company's net assets as at 31 December 2014 and consequently, the net loss for the year then ended, and the related disclosures thereof in the financial statements of the Company.

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

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Fundamental uncertainties relating to going concern

As disclosed in note 2.1 to the consolidated financial statements, the Group incurred a consolidated net loss of HK$1,093 million during the year ended 31 December 2014 and, as of that date, the Group's current assets exceeded its current liabilities by HK$224 million. If considering further potential impairment loss on other receivable due from a major supplier and amounts due from the ultimate holding company and the fellow subsidiaries as set out in further details in the paragraph headed "Other receivable" and "Amounts due from the ultimate holding company and the fellow subsidiaries" above, the Group's current liabilities would exceed its current assets. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors of the Company as described in note 2.1. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of these 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 those currently recorded in the consolidated and the company statements of financial position as at 31 December 2014. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	2,919,716	4,200,019
Cost of sales		(3,109,569)	(4,062,266)
Gross (loss)/profit		(189,853)	137,753
Other income and gains	5	130,830	46,113
Selling and distribution expenses		(213,562)	(237,843)
Administrative expenses		(108,610)	(113,273)
Impairment of property, plant and equipment	6	(262,633)	–
Impairment of goodwill	6	(183,538)	–
(Impairment)/write-back of trade and bills receivables	6	(44,836)	5,725
Other expenses		(130,613)	(44,926)
Finance costs	7	(79,438)	(97,255)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(1,082,253)	(303,706)
Income tax expense	10	(10,983)	(11,126)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(1,093,236)	(314,832)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		–	(5,397)
LOSS FOR THE YEAR		(1,093,236)	(320,229)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		(20,047)	44,494
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Loss on property revaluation		–	(14,714)
Income tax effect		–	3,678
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods		–	(11,036)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(20,047)	33,458
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,113,283)	(286,771)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss attributable to:			
Owners of the parent	11	**(1,093,115)**	(319,959)
Non-controlling interests		**(121)**	(270)
		(1,093,236)	(320,229)
Total comprehensive loss attributable to:			
Owners of the parent		**(1,113,241)**	(286,354)
Non-controlling interests		**(42)**	(417)
		(1,113,283)	(286,771)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic			
— For loss for the year		**HK(71.6) cents**	HK(20.9) cents
— For loss from continuing operations		**HK(71.6) cents**	HK(20.6) cents
Diluted			
— For loss for the year		**HK(71.6) cents**	HK(20.9) cents
— For loss from continuing operations		**HK(71.6) cents**	HK(20.6) cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,194,463	1,576,123
Prepaid land lease payments	15	177,663	194,837
Deposits paid for acquisition of property, plant and equipment		2,449	4,774
Goodwill	16	—	183,538
Other intangible assets	17	3,243	3,243
Deferred tax assets	28	969	2,240
Total non-current assets		1,378,787	1,964,755
CURRENT ASSETS			
Inventories	20	212,581	1,068,806
Trade and bills receivables	21	374,301	699,329
Prepayments, deposits and other receivables	22	396,753	180,323
Due from the immediate holding company	34(iv)	22,036	21,709
Due from fellow subsidiaries	34(iv)	154,059	91,823
Non-current assets held for sale	18	—	5,500
Financial asset at fair value through profit or loss	23	—	22,658
Pledged deposits	24	—	5,703
Cash and cash equivalents	24	189,935	407,207
Total current assets		1,349,665	2,503,058
CURRENT LIABILITIES			
Trade and bills payables	25	227,665	427,013
Other payables and accruals	26	281,181	221,588
Interest-bearing bank borrowings	27	471,250	1,320,421
Due to fellow subsidiaries	34(iv)	92,682	258,344
Due to the ultimate holding company	34(iv)	28,587	30,482
Tax payable		24,631	28,216
Total current liabilities		1,125,996	2,286,064
NET CURRENT ASSETS		223,669	216,994
TOTAL ASSETS LESS CURRENT LIABILITIES		1,602,456	2,181,749

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,602,456	2,181,749
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	570,000	37,185
Deferred tax liabilities	28	108,556	107,381
Total non-current liabilities		678,556	144,566
Net assets		923,900	2,037,183
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	152,759	152,759
Reserves	31(a)	777,378	1,890,619
		930,137	2,043,378
Non-controlling interests		(6,237)	(6,195)
Total equity		923,900	2,037,183

Kong Zhanpeng
Director

Lee Chi Yung
Director

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	152,759	1,074,879	63,025	123,113	276,882	18,526	620,548	2,329,732	(5,778)	2,323,954
Loss for the year	–	–	–	–	–	–	(319,959)	(319,959)	(270)	(320,229)
Other comprehensive income for the year:										
Revaluation deficit, net of deferred tax	–	–	(11,036)	–	–	–	–	(11,036)	–	(11,036)
Exchange realignment	–	–	–	–	44,641	–	–	44,641	(147)	44,494
Total comprehensive income/(loss) for the year	–	–	(11,036)	–	44,641	–	(319,959)	(286,354)	(417)	(286,771)
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	(3,540)	3,540	–	–	–
Transfer from retained profits	–	–	–	3,368	–	–	(3,368)	–	–	–
At 31 December 2013	152,759	1,074,879	51,989	126,481	321,523	14,986	300,761	2,043,378	(6,195)	2,037,183

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	152,759	1,074,879	51,989	126,481	321,523	14,986	300,761	2,043,378	(6,195)	2,037,183
Loss for the year	–	–	–	–	–	–	(1,093,115)	(1,093,115)	(121)	(1,093,236)
Other comprehensive loss for the year:										
Exchange realignment	–	–	–	–	(20,126)	–	–	(20,126)	79	(20,047)
Total comprehensive loss for the year	–	–	–	–	(20,126)	–	(1,093,115)	(1,113,241)	(42)	(1,113,283)
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	(295)	295	–	–	–
Transfer from retained profits	–	–	–	2,328	–	–	(2,328)	–	–	–
At 31 December 2014	152,759	1,074,879*	51,989*	128,809*	301,397*	14,691*	(794,387)*	930,137	(6,237)	923,900

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

* These reserve accounts comprise the consolidated reserves of the Group of HK$777,378,000 (2013: HK$1,890,619,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		(1,082,253)	(303,706)
From a discontinued operation		—	(5,397)
Adjustments for:			
Finance costs	7	79,438	97,255
Bank interest income	5	(2,139)	(2,502)
Depreciation	14	142,829	147,245
Loss on disposal of items of property, plant and equipment	6	1,170	3,272
Gain on resumption of assets located in Luyuan District	5	(102,669)	(18,779)
Amortisation of prepaid land lease payments	15	7,171	7,664
Impairment/(write-back) of trade and bills receivables	21	44,836	(5,725)
Impairment/(write-back) of other receivables	6	(4,126)	13,960
Write-down of inventories to net realisable value	6	278,347	46,241
Impairment of items of property, plant and equipment	14	262,633	—
Impairment of goodwill	16	183,538	—
		(191,225)	(20,472)
Decrease/(increase) in inventories		564,518	(22,495)
Decrease in trade and bills receivables		132,929	9,975
Decrease/(increase) in prepayments, deposits and other receivables		(214,834)	109,669
Increase/(decrease) in trade and bills payables		(29,379)	241,509
Increase in other payables and accruals		61,716	39,597
Decrease in deferred income		—	(1,128)
Cash generated from operations		323,725	356,655
Interest received	5	2,139	2,502
Overseas taxes paid		(9,405)	(9,069)
Net cash flows from operating activities		316,459	350,088

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of a parcel of land		(3,628)	–
Purchases of items of property, plant and equipment		(50,699)	(78,457)
Proceeds from disposal of items of property, plant and equipment		7,778	2,355
Proceeds from compensation on resumption of assets or land		108,100	44,709
Proceeds from disposal of prepaid land lease payments		11,874	–
Withdrawal/(purchase) of a financial asset at fair value through profit or loss		22,658	(22,658)
Net cash flows from/(used in) investing activities		96,083	(54,051)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		1,071,250	1,002,367
Repayment of bank borrowings		(1,371,387)	(1,490,267)
Interest paid	7	(79,438)	(97,255)
Decrease in an amount due from the immediate holding company		–	(301)
Repayment of amounts with fellow subsidiaries		(254,775)	(7,626)
Increase in an amount due to the ultimate holding company		–	3,743
Increase in amounts due to fellow subsidiaries		–	135,556
Net cash flows used in financing activities		(634,350)	(453,783)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(221,808)	(157,746)
Cash and cash equivalents at beginning of year		412,910	557,551
Effect of foreign exchange rate changes, net		(1,167)	13,105
CASH AND CASH EQUIVALENTS AT END OF YEAR		189,935	412,910
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	159,826	353,975
Non-pledged time deposits with original maturity of less than three months when acquired	24	30,109	53,232
Cash and cash equivalents as stated in the consolidated statement of financial position		189,935	407,207
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of bills payables	24	–	5,703
Cash and cash equivalents as stated in the consolidated statement of cash flows		189,935	412,910

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	583,573	859,461
Total non-current assets		583,573	859,461
CURRENT ASSETS			
Due from the ultimate holding company	34(iv)	81,800	81,800
Due from the immediate holding company	34(iv)	951	624
Due from subsidiaries	19	784,842	1,351,305
Prepayments, deposits and other receivables	22	336	241
Cash and cash equivalents	24	40,646	78,927
Total current assets		908,575	1,512,897
CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	60,000	60,000
Due to subsidiaries	19	414,923	451,944
Due to fellow subsidiaries	34(iv)	32,468	32,468
Other payables and accruals	26	6,682	8,820
Total current liabilities		514,073	553,232
NET CURRENT ASSETS		394,502	959,665
TOTAL ASSETS LESS CURRENT LIABILITIES		978,075	1,819,126
NON-CURRENT LIABILITIES			
Financial guarantee contracts	32	47,937	12,224
Total non-current liabilities		47,937	12,224
Net assets		930,138	1,806,902
EQUITY			
Issued capital	29	152,759	152,759
Reserves	31(b)	777,379	1,654,143
Total equity		930,138	1,806,902

Kong Zhanpeng
Director

Lee Chi Yung
Director

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower 2, No. 18 Harcourt Road, Hong Kong. The Group was principally engaged in the manufacture and sale of corn refined products and corn based sweetener products in the current year.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance (Cap 32).

These financial statements have been prepared under the historical cost convention, except for certain property, plant and equipment with periodic remeasurement at fair value as further explained in the financial statements. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded a consolidated net loss of approximately HK$1,093 million (2013: approximately HK$320 million) for the year ended 31 December 2014 and as at that date, the Group recorded net current assets of approximately HK$224 million (31 December 2013: approximately HK$217 million). In view of these circumstances, the directors of the Company have taken the following steps to improve the Group's liquidity and solvency position.

(1) Active negotiations with banks to obtain adequate bank borrowings to finance the Group's operations

The management of the Company has been actively negotiating with the banks in the PRC to secure the renewals of the Group's short term bank loans and long term bank loans when due to meet its liabilities when fall due.

2.1 BASIS OF PREPARATION *(continued)*

(2) Improvement of the Group's operating cash flow

The Group is taking measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations. During the year ended 31 December 2014, the Group has scaled down certain of corn starch production in order to minimising operating cash outflow.

Based on management estimation of the future cash flows of the Group, after taking into account (i) the successful renewals of the Group's existing bank borrowings; and (ii) the measures of the operating level to minimise the Group's operating cash outflows, the directors of the Company considered that the Group is able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors of the Company as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. 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 parent of the Group 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, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in Annual Improvements 2010-2012 Cycle	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in Annual Improvements 2010-2012 Cycle	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in Annual Improvements 2010-2012 Cycle	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in Annual Improvements 2011-2013 Cycle	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to numbers of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to numbers of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to numbers of HKFRSs[2]

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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 as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint ventures of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group 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;

  (vi) the entity is controlled or jointly-controlled by a person identified in (a); and

  (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).

Property, plant and equipment and depreciation

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

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

Golf club membership

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and financial assets at fair value through profit or loss. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing loans and borrowings and amounts due to the ultimate holding company and the fellow subsidiaries.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement (continued)

Financial guarantee contracts

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Government grants

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

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

Revenue recognition

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

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

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

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

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

Other employee benefits

Pension schemes and other retirement benefits

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

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

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their 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 fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

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

Judgement

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

Classification of "non-current assets" and "non-current assets held for sale"

Certain non-current assets (other than goodwill) have been reclassified from non-current assets to current assets which are stated as "non-current assets held for sale". The reclassification is made when (i) the carrying amount of these assets will be recovered principally through a sale transaction rather than through continuing use; (ii) these assets must be available for immediate sale in its present condition subject only to terms that are usual and customary and (iii) the sale of such assets must be highly probable. To consider whether these criteria have been met, management will consider all the relevant facts and circumstances, including but not limited to, the existence of the potential purchaser(s) and the probability to obtain shareholders' approval (if applicable), in order to exercise its judgement. As at 31 December 2013, the Group recorded "Non-current assets held for sale" with carrying value amounting to HK$5,500,000 which are related to the resumption of these assets pursuant to the relocation of the Group's production facilities located at Luyuan District as further disclosed in note 18 to the financial statements. The resumption was completed in the year ended 31 December 2014.

Determination of cash-generating units

In the process of impairment assessment of the Group's non-financial assets, management is required to identify cash generating units. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of a cash-generating unit involves judgement. During the year ended 31 December 2013, a change of the identification of cash-generating units to that of the prior periods has been noted as a result of the Group's commencement of its relocation of production facilities from Luyuan District, Changchun, the PRC, to a new production site. Further details of the relocation of the production facilities are disclosed in note 18 to the financial statements.

Recognition of a deferred tax liability for withholding taxes

The Group determines that no dividends to be distributed from the PRC subsidiaries to the Company or any subsidiary outside Mainland China in the next five years could give rise to the recognition of withholding taxes. Therefore, no deferred tax liability for withholding taxes was recognised in these financial statements.

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

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.

Estimation of fair value of leasehold buildings

In the absence of current prices in an active market for similar properties, the Group considers information by reference to the valuation performed by an independent valuer based on the depreciated replacement cost ("DRC") approach. The DRC approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Goodwill associated with the operation disposed of should be included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operations disposed of and the portion of the cash-generating unit retained. To assess whether impairment exists for the goodwill being allocated to the operation to be disposed of, management has compared the aggregate carrying amounts of the relevant cash-generating units to be disposed of and the portion of the goodwill allocated to the estimated fair value less costs of disposal. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period. The carrying amount of goodwill at 31 December 2014 was nil (2013: HK$183,538,000). Further details are given in note 16 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the 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 made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at each financial year end date based on changes in circumstances.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite lift intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset of a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. The calculation of the fair value less cost of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of property, plant and equipment as at 31 December 2014 was HK$1,194,463,000 (2013: HK$1,576,123,000) after the deduction of impairments loss of HK$262,679,000 (2013: HK$8,458,000). Further details are given in note 14 to the financial statements.

Impairment of trade receivables

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

Allowances for inventories

The Group reviews an aged analysis of its inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The estimated net realisable value of the Group's inventories is based primarily on the latest invoice prices and current market conditions. As at 31 December 2014, the carrying amount of inventories was approximately HK$212,581,000 (2013: HK$1,068,806,000) after netting off the allowances for inventories of approximately HK$54,689,000 (2013: HK$52,119,000).

4. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment assets exclude cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, the amount due to the ultimate holding company and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

The Group's revenue is derived from customers based in Mainland China and in regions other than Mainland China. Another basis on which the Group reports its segment information is by geographical region.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2014	Corn refined products HK$'000	Corn based sweetener products HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	1,504,089	1,415,627	2,919,716
Intersegment sales	466,089	—	466,089
	1,970,178	1,415,627	3,385,805
Reconciliation:			
Elimination of intersegment sales			(466,089)
Revenue from continuing operations			2,919,716
Segment results	(608,384)	(407,899)	(1,016,283)
Reconciliation:			
Bank interest income			2,139
Unallocated gains			26,022
Corporate and other unallocated expenses			(14,693)
Finance costs			(79,438)
Loss before tax from continuing operations			(1,082,253)
Segment assets	1,160,586	1,249,289	2,409,875
Reconciliation:			
Elimination of intersegment receivables			(36,379)
Cash and cash equivalents			189,935
Corporate and other unallocated assets			165,021
Total assets			2,728,452
Segment liabilities	405,934	219,127	625,061
Reconciliation:			
Elimination of intersegment payables			(36,379)
Interest-bearing bank borrowings			1,041,250
Corporate and unallocated liabilities			174,620
Total liabilities			1,804,552
Other segment information:			
Capital expenditure*	44,041	11,435	55,476
Depreciation	69,875	72,954	142,829
Amortisation of prepaid land lease payments	4,939	2,232	7,171
Gain on resumption of assets located in Luyuan District	102,669	—	102,669
Impairment of trade and bills receivables	40,453	4,383	44,836
Impairment/(write-back) of other receivables	(5,260)	1,134	(4,126)
Impairment of inventories to net realisable value	274,128	4,219	278,347
Impairment of property, plant and equipment	79,382	183,251	262,633
Impairment of goodwill	33,588	149,950	183,538

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2013	Corn refined products HK$'000	Corn based sweetener products HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	2,166,103	2,033,916	4,200,019
Intersegment sales	550,285	—	550,285
	2,716,388	2,033,916	4,750,304
Reconciliation:			
Elimination of intersegment sales			(550,285)
Revenue from continuing operations			4,200,019
Segment results	(165,515)	(54,733)	(220,248)
Reconciliation:			
Bank interest income			2,502
Unallocated gains			24,832
Corporate and other unallocated expenses			(13,537)
Finance costs			(97,255)
Loss before tax from continuing operations			(303,706)
Segment assets	1,995,541	1,839,707	3,835,248
Reconciliation:			
Elimination of intersegment receivables			(91,290)
Cash and cash equivalents and pledged deposits			412,910
Corporate and other unallocated assets			304,614
Assets related to a discontinued operation			6,331
Total assets			4,467,813
Segment liabilities	504,345	293,202	797,547
Reconciliation:			
Elimination of intersegment payables			(91,290)
Interest-bearing bank borrowings			1,357,606
Corporate and unallocated liabilities			365,578
Liabilities related to a discontinued operation			1,189
Total liabilities			2,430,630
Other segment information:			
Capital expenditure*	81,429	16,064	97,493
Depreciation	78,164	69,081	147,245
Gain on resumption of assets located in Luyuan District	18,779	—	18,779
Amortisation of prepaid land lease payments	5,406	2,258	7,664
Impairment/(write-back) of trade and bills receivables	(6,350)	625	(5,725)
Impairment of other receivables	12,415	—	12,415
Write-down of inventories to net realisable value	29,266	16,975	46,241

* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	2014 HK$'000	2013 HK$'000
Mainland China	2,792,411	3,948,175
Regions other than Mainland China	127,305	251,844
	2,919,716	4,200,019

The revenue information of continuing operations above is based on the locations of the customers.

(b) *Non-current assets*

	2014 HK$'000	2013 HK$'000
Mainland China	1,374,507	1,959,044
Regions other than Mainland China	3,311	3,471
	1,377,818	1,962,515

The non-current assets information above is based on the locations of the assets and excludes deferred tax assets.

Information about a major customer

Revenue from continuing operations of approximately HK$3,601,000 (2013: HK$310,619,000) and HK$24,572,000 (2013: HK$194,609,000) during the year ended 31 December 2014 was derived from sales by the corn based sweetener products segment and the corn refined products segment, respectively, to group companies of the ultimate holding company.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains from continuing operations is as follows:

	Note	2014 HK$'000	2013 HK$'000
Revenue			
Sale of goods		2,919,716	4,200,019
Other income			
Bank interest income		2,139	2,502
Net profit arising from sale of packing materials and by-products		14,658	16,556
Processing income		2,412	—
Government grants*		2,080	6,191
Exchange gain		2,738	105
Others		4,134	1,980
		28,161	27,334
Gains			
Gain on resumption of assets located in Luyuan District	18	102,669	18,779
		130,830	46,113

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

6. LOSS BEFORE TAX

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

	Notes	2014 HK$'000	2013 HK$'000
Cost of inventories sold		2,683,497	3,379,860
Depreciation	14	142,829	147,245
Amortisation of prepaid land lease payments	15	7,171	7,664
Auditors' remuneration		3,392	3,082
Employee benefit expenses (excluding directors' remuneration (note 8))			
Wages and salaries		60,124	66,014
Pension scheme contributions		14,809	14,634
		74,933	80,648
Foreign exchange differences, net	5	(2,738)	(105)
Write-down of inventories to net realisable value#		278,347	46,241
Impairment/(write-back) of trade and bills receivables	21	44,836	(5,725)
Impairment/(write-back) of other receivables		(4,126)	12,415
Impairment of property, plant and equipment	14	262,633	—
Impairment of goodwill	16	183,538	—
Indemnity for breach of contract*	26	21,938	—
Loss on disposal of items of property, plant and equipment		1,170	3,272

\# Included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income. Impairment of inventories for the year ended 31 December 2014 included the following:

During the year ended 31 December 2014, Changchun Dihao Foodstuff Development Co., Ltd. ("Changchun Dihao") and Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng"), subsidiaries of the Group identified that 88,000 tons corn kernels with cost of HK$224 million have become deteriorated. The Group made a full provision of HK$224 million against these corn kernels and disposed of them to a customer and two suppliers of the Group for a total consideration of HK$1 million at HK$11 per ton. The Group has recorded the net impairment of HK$223 million in the consolidated statements of profit or loss in 2014. The customer has a common director with certain of the Group's subsidiaries in Mainland China and a shareholder of one of the two suppliers is a director of the Group's subsidiaries in Mainland China. Thus, they are deemed as related parties to the Group. Sales of protein meal and corn steep liquor to this customer and purchase of corn kernels from this supplier for the year ended 31 December 2014 amounted to HK$1.9 million (2013: HK$10.7 million) and HK$99.6 million (2013: HK$97.7 million), respectively.

As at 31 December 2014, a provision of HK$32 million was made to the corn kernels of Jinzhou Yuancheng due to the subsequent decrease in the production yield.

* Indemnity for breach of contract was accrued based on the judgment rendered by the court in Mainland China over a contract dispute with a customer.

7. FINANCE COSTS

An analysis of finance costs from continuing operations of the Group is as follows:

	2014 HK$'000	2013 HK$'000
Interest on bank loans wholly repayable within five years	74,070	99,994
Finance costs for discounting bills receivables	6,957	—
Total interest expense on financial liabilities not at fair value through profit or loss	81,027	99,994
Less: interest capitalised	(1,589)	(2,739)
	79,438	97,255

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Fees	1,130	768
Other emoluments:		
Salaries, allowances and benefits in kind	7,107	5,855
Performance-related bonuses	—	1,170
Pension scheme contributions	34	30
	7,141	7,055
	8,271	7,823

According to the directors' service contracts, each of the executive directors, upon completion of every 12 months of services, is entitled to a management bonus. In addition, executive directors with special contributions to the Group may be entitled to special bonus. The amount of bonus payable to the executive directors for the year ended 31 December 2013 is determined by the board of directors pursuant to the management bonus mechanism with effect from 1 October 2013. No bonus was paid to the executive directors for the year ended 31 December 2014. Subsequent to the year ended 31 December 2014, a discretionary management bonus of HK$200,000 payable to an executive Director was approved by the Board in April 2015.

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

(a) Independent non-executive directors

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

	2014 HK$'000	2013 HK$'000
Mr. Chan Yuk Tong	380	264
Mr. Gao Yunchun*	40	240
Mr. Ho Lic Ki	380	264
Mr. Lo Kwing Yu*	330	—
	1,130	768

* Mr. Gao Yunchun resigned on 3 March 2014 and Mr. Lo Kwing Yu has been appointed as an independent non-executive director on 3 March 2014.

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors and the chief executive

2014	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Kong Zhanpeng**	3,600	—	17	3,617
Mr. Zhang Fazheng#	557	—	—	557
Mr. Lee Chi Yung (Note)	1,200	—	17	1,217
Mr. Nie Zhiguo#	250	—	—	250
Ms. Wang Guifeng#	1,500	—	—	1,500
	7,107	—	34	7,141

2013	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Kong Zhanpeng	3,600	675	15	4,290
Mr. Zhang Fazheng	1,055	270	—	1,325
Mr. Lee Chi Yung	1,200	225	15	1,440
	5,855	1,170	30	7,055

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

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

** Mr. Kong Zhanpeng, one of the executive directors of the Company, is also the chief executive officer of the Company after 20 May 2014.

Mr. Zhang Fazheng, one of the executive directors of the Company, who was also the chief executive officer of the Company, retired on 20 May 2014, and Ms. Wang Guifeng and Mr. Nie Zhiguo were appointed as executive directors on 3 March 2014.

Note: Subsequent to the year ended 31 December 2014, a discretionary management bonus of HK$200,000 payable to an executive Director was approved by the Board in April 2015.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2013: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2013: two) highest paid employees who is neither a director nor chief executive of the Company are as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	650	1,079
Pension scheme contributions	17	30
	667	1,109

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Group	
	2014 Number of individuals	2013 Number of individuals
Nil to HK$1,000,000	1	2

No emolument was paid by the Group to any of the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2014 and 31 December 2013.

10. INCOME TAX

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2014 HK$'000	2013 HK$'000
Current — Hong Kong	—	—
Current — Mainland China	7,752	9,504
Deferred (note 28)	3,231	1,622
Total tax charge for the year	10,983	11,126

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the locations in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2014	**Hong Kong**		**Mainland China**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Loss before tax from continuing operations	**(28,136)**		**(1,054,117)**		**(1,082,253)**	
Tax at the statutory rate	**(4,642)**	**16.5**	**(263,529)**	**25.0**	**(268,171)**	**24.8**
Adjustments in respect of current tax of previous periods	**—**	**—**	**1,578**	**(0.1)**	**1,578**	**(0.1)**
Unrecognised tax losses	**2,332**	**(8.3)**	**132,541**	**(12.6)**	**134,873**	**(12.5)**
Temporary differences not recognised	**—**	**—**	**89,682**	**(8.5)**	**89,682**	**(8.3)**
Income not subject to tax	**(106)**	**0.4**	**—**	**—**	**(106)**	**—**
Expenses not deductible for tax	**2,416**	**(8.6)**	**50,711**	**(4.8)**	**53,127**	**(4.9)**
Tax charge at the Group's effective rate	**—**	**—**	**10,983**	**(1.0)**	**10,983**	**(1.0)**

Group – 2013	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax from continuing operations	(20,782)		(282,924)		(303,706)	
Tax at the statutory rate	(3,429)	16.5	(70,731)	25.0	(74,160)	24.4
Tax losses utilised from previous periods	—	—	(599)	0.2	(599)	0.2
Adjustments in respect of current tax of previous periods	—	—	(1,830)	0.6	(1,830)	0.6
Unrecognised tax losses	3,070	(14.8)	61,215	(21.6)	64,285	(21.2)
Temporary differences not recognised	—	—	19,461	(6.9)	19,461	(6.4)
Income not subject to tax	(148)	0.7	—	—	(148)	0.1
Expenses not deductible for tax	507	(2.4)	3,610	(1.3)	4,117	(1.4)
Tax charge at the Group's effective rate	—	—	11,126	(4.0)	11,126	(3.7)

The statutory tax rate for all subsidiaries in Mainland China was 25% for the current year (2013: 25%).

11. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2014 includes a loss of HK$12,222,000 (2013: HK$20,876,000) which has been dealt with in the financial statements of the Company.

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2014 (2013: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on the consolidated loss for the year attributable to ordinary equity holders of the parent of approximately HK$1,093,115,000 (2013: HK$319,959,000) and the weighted average number of ordinary shares in issue throughout the year of 1,527,586,000 (2013: 1,527,586,000).

As the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the years ended 31 December 2014 and 2013, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the years ended 31 December 2014 and 2013. Therefore, the diluted loss per share amounts were equal to the basic loss per share amounts for the years ended 31 December 2014 and 2013.

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2014	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
At cost:					
At 1 January 2014	767,559	1,368,334	37,227	185,559	2,358,679
Additions	852	2,665	2,946	45,385	51,848
Disposals	(14,950)	(56,785)	(4,857)	–	(76,592)
Transfers	42,211	152,267	–	(194,478)	–
Exchange realignment	(9,094)	(20,688)	(509)	(2,364)	(32,655)
At 31 December 2014	786,578	1,445,793	34,807	34,102	2,301,280
Accumulated depreciation:					
At 1 January 2014	124,881	623,091	26,126	–	774,098
Depreciation provided during the year	23,287	115,999	3,543	–	142,829
Disposals	(8,230)	(46,982)	(4,126)	–	(59,338)
Exchange realignment	(2,053)	(11,022)	(376)	–	(13,451)
At 31 December 2014	137,885	681,086	25,167	–	844,138
Impairment:					
At 1 January 2014	8,458	–	–	–	8,458
Addition (note 6)	2,650	259,983	–	–	262,633
Disposals	(2,650)	(5,656)	–	–	(8,306)
Exchange realignment	(106)	–	–	–	(106)
At 31 December 2014	8,352	254,327	–	–	262,679
Net book value:					
At 31 December 2014	640,341	510,380	9,640	34,102	1,194,463
At 31 December 2013	634,220	745,243	11,101	185,559	1,576,123
Analysis of cost or valuation:					
At cost	–	510,380	9,640	34,102	554,122
At 31 December 2013 valuation	640,341	–	–	–	640,341
	640,341	510,380	9,640	34,102	1,194,463

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

Group

31 December 2013	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
At cost:					
At 1 January 2013	786,999	1,326,332	34,629	107,091	2,255,051
Additions	846	9,985	3,105	83,557	97,493
Deficit on revaluation	(14,714)	–	–	–	(14,714)
Disposals	(904)	(15,040)	(2,775)	–	(18,719)
Transfers	366	6,221	1,302	(7,889)	–
Classified as non-current assets held for sale	(23,571)	–	–	–	(23,571)
Exchange realignment	18,537	40,836	966	2,800	63,139
At 31 December 2013	767,559	1,368,334	37,227	185,559	2,358,679
Accumulated depreciation:					
At 1 January 2013	114,876	497,029	22,402	–	634,307
Depreciation provided during the year	24,355	117,846	5,044	–	147,245
Disposals	(184)	(10,916)	(1,992)	–	(13,092)
Classified as non-current assets held for sale	(18,071)	–	–	–	(18,071)
Exchange realignment	3,905	19,132	672	–	23,709
At 31 December 2013	124,881	623,091	26,126	–	774,098
Impairment:					
At 1 January 2013	8,249	–	–	–	8,249
Exchange realignment	209	–	–	–	209
At 31 December 2013	8,458	–	–	–	8,458
Net book value:					
At 31 December 2013	634,220	745,243	11,101	185,559	1,576,123
At 31 December 2012	663,874	829,303	12,227	107,091	1,612,495
Analysis of cost or valuation:					
At cost	–	745,243	11,101	185,559	941,903
At 31 December 2013 valuation	634,220	–	–	–	634,220
	634,220	745,243	11,101	185,559	1,576,123

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

As at 31 December 2014, certain of the Group's property, plant and equipment with net carrying amounts of HK$665,400,000 (2013: Nil) and HK$143,177,000 (2013: Nil) were pledged to secure banking facilities granted to the Group and a fellow subsidiary held by the Ultimate Holding Company, respectively.

Leasehold buildings

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

At 31 December 2013, the Group's leasehold buildings were revalued on an open market value basis, by Savills Valuation and Professional Services Limited, independent professionally qualified valuer, at approximately HK$634,220,000. A deficit on revaluation of approximately HK$14,714,000 arising from the 2013 valuation has been debited to the asset revaluation reserve during the year ended 31 December 2013. The directors considered that as there were no material differences between the carrying value and the open market value of the Group's leasehold buildings as at 31 December 2014, no revaluation has been performed as at that date.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2014 using			
	Quoted princes 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	—	—	640,341	640,341

	Fair value measurement as at 31 December 2013 using			
	Quoted princes 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	—	—	634,220	634,220

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2013: Nil).

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

Leasehold buildings *(continued)*

Fair value hierarchy *(continued)*

	Industrial properties HK$'000
Carrying amount at 31 December 2013 and 1 January 2014	634,220
Addition and transfer from construction in progress	43,063
Disposal	(6,720)
Depreciation provided during the year	(23,287)
Exchange realignment	(6,935)
Carrying amount at 31 December 2014	640,341

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

	Valuation technique	**Significant unobservable inputs**	**Range or weighted average**
Industrial properties	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/s.q.m.)	a. 530 to 4,700
		b. Administrative expense rate	b. 3%
		c. Developer's profit margin	c. 8%-10%
		d. Interest rate	d. 6.00-6.15%
		e. Rate of newness	e. 60%-95%

The Group has determined that the highest and best use of the buildings at the measurement date would be to continue use as industrial buildings.

The DRC approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings from which deductions are then made to allow for the age, condition and functional obsolescence.

A significant increase (decrease) in the estimated growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the property, plant and equipment. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the property, plant and equipment.

At 31 December 2014, the applications for building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$97,775,000 (2013: HK$99,013,000) were still in progress.

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$568,197,000 (2013: HK$562,076,000).

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

Other information and impairment provision

Included in the Group's property, plant and equipment as at 31 December 2014, HK$348,057,000 (net of depreciation and impairment) (2013: HK$637,073,000) represented items which are identified by the management to be recovered through sale pursuant to the relocation plan as imposed by the local government. These assets are located at the Luyuan District in Changchun, the PRC. In accordance with the current plan, management will not relocate these assets to the new production site. These assets are either operating under a less than normal capacity or becomes idle at the reporting date as to prepare for the relocation. Management has performed impairment assessment on these assets by comparing to their recoverable amounts and has provided impairment of HK$262,633,000 (2013: Nil) in the consolidated statement of profit or loss for the year ended 31 December 2014.

The recoverable amounts of the assets located at the Luyuan District, which include land and property, plant and equipment amounted to HK$432,475,000. The recoverable amounts are determined based on management estimated fair value less cost of disposal of the items of assets by using depreciated replacement cost approach.

Other information and impairment provision

The following table illustrates the fair value measurement hierarchy of the recoverable amounts of the assets to be retained in the Luyuan District:

	Fair value measurement as at 31 December 2014 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
Fair value measurement for:				
Land	–	–	135,900	135,900
Leasehold buildings	–	–	296,575	296,575
Total	–	–	432,475	432,475

Below is a summary of the valuation technique used and the key inputs to the valuation of leasehold buildings applied in the estimation of the recoverable amounts as at 31 December 2014:

	Valuation Technique	Significant unobservable inputs	Range of weighted average
Leasehold buildings	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/s.q.m.)	a. 1,489 to 4,737
		b. Administrative expense rate	b. 3%
		c. Developer's profit margin	c. 8%-10%
		d. Interest rate	d. 6.00%
		e. Rate of newness	e. 58%-90%

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	202,154	231,365
Additions	3,628	—
Amortisation recognised during the year	(7,171)	(7,664)
Resumption of a parcel of land located in Luyuan District	—	(25,930)
Disposals	(11,874)	—
Exchange realignment	(1,951)	4,383
Carrying amount at 31 December	184,786	202,154
Current portion included in prepayments, deposits and other receivables	(7,123)	(7,317)
Non-current portion	177,663	194,837

The leasehold land with lease terms of 50 years or shorter is situated outside Hong Kong.

Included in the Group's prepaid land lease payments as at 31 December 2014, HK$81,647,000 (2013: HK$99,283,000) represented parcels of land which are identified by management to be recovered through sale pursuant to the relocation plan as imposed by the local government. These parcels of land are located at the Luyuan District in Changchun, the PRC. In accordance with the current plan, the local government will resume the land through a sale and purchase arrangement to be entered into by the parties.

At 31 December 2014, prepaid land lease payments of the Group amounting to HK$56,348,000 (2013: Nil) and HK$20,432,000 (2013: Nil) were pledged to secure banking facilities granted to the Group and a fellow subsidiary, respectively.

16. GOODWILL

	2014 HK$'000	2013 HK$'000
Cost and net carrying amount at 1 January	183,538	183,538
Impairment during the year (note 6)	(183,538)	—
Net carrying value at 31 December	—	183,538

16. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

	2014 HK$'000	2013 HK$'000
Jinzhou Yuancheng	–	33,588
Assets to be retained in the Luyuan District, PRC	–	149,950
	–	183,538

Jinzhou Yuancheng

Certain of the Group's goodwill related to Jinzhou Yuancheng which was acquired by the Group during the year ended 31 December 2008. The recoverable amount of Jinzhou Yuancheng is determined based on management estimation of fair value less cost of disposal of the items of assets as associated therewith by reference to the independent professional valuation. The fair values of these items are determined by the depreciated replacement cost approach. Based on management's assessment, the carrying amounts of Jinzhou Yuancheng exceeded its recoverable amount as at 31 December 2014. Therefore, an impairment loss of HK$33,588,000 on goodwill was recognised in other expenses in the consolidated statement of profit or loss for the year ended 31 December 2014.

The following table illustrates the fair value measurement hierarchy of the recoverable amounts of Jinzhou Yuancheng:

	Fair value measurement as at 31 December 2014 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
Fair value measurement for:				
Land	–	–	140,600	140,600
Leasehold buildings	–	–	250,425	250,425
Plant and equipment	–	–	251,170	251,170
Total	–	–	642,195	642,195

16. GOODWILL *(continued)*

Jinzhou Yuancheng *(continued)*

Below is a summary of the valuation technique used and the key inputs to the valuation of leasehold buildings applied in the estimation of the recoverable amounts as at 31 December 2014:

	Valuation Technique	Significant unobservable inputs	Range or weighted average
Leasehold buildings	Depreciated replacement cost ("DRC") approach	a. Construction cost (RMB/s.q.m.) b. Administrative expense rate c. Developer's profit margin d. Interest rate e. Rate of newness	a. 600 to 2,912 b. 3% c. 8% d. 6.00% e. 57%-99%

Assets to be retained in the Luyuan District, PRC

Certain of the Group's goodwill related to the group of assets which were identified by management to be retained in the Luyuan District pending for the disposal to the local government pursuant to a relocation plan. For goodwill associated with the cash-generating unit being identified to be disposed of, management has compared the carrying amount of the cash-generating unit together with goodwill allocated to the fair value less costs of disposal. If there is no binding sale agreement or active market for that asset (or asset group), management will make reference to the best information available to reflect the amount that an entity could obtain at the end of the reporting period.

The recoverable amount of the associated assets to be disposed of to that goodwill is allocated is determined based on management estimated fair value less cost of disposal of the items of assets as associated therewith, which amounted to HK$432,475,000. The fair values of these items are determined by the depreciated replacement cost approach. Based on the impairment assessment, an impairment loss of HK$149,950,000 on goodwill was recognised in other expenses in the consolidated statement of profit or loss for the year ended 31 December 2014.

For details of the fair value measurement hierarchy of the recoverable amounts of the assets to be retained in the Luyuan District, please refer to the section headed "other information and impairment provision" in note 14 to the financial statements.

17. OTHER INTANGIBLE ASSETS

	Golf club membership HK$'000
31 December 2014	
At 1 January 2014 and at 31 December 2014	3,243
At 31 December 2014:	
Cost and net carrying amounts	3,243

	Golf club membership HK$'000
31 December 2013	
At 1 January 2013 and at 31 December 2013	3,243
At 31 December 2013:	
Cost and net carrying amounts	3,243

18. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2014 HK$'000	2013 HK$'000
At 1 January:	5,500	–
Reclassified from properties, plant and equipment	–	5,500
Disposal of assets held for sale	(5,500)	–
Net carrying amount at 31 December	–	5,500

Pursuant to the Company's announcement dated 7 January 2014, the Group committed to commencing a plan to relocate its production facilities located in Luyuan District, Changchun, the PRC in response to the request of the local government.

During the year ended 31 December 2013, the Group entered into compensation agreements with the Changchun Land Reserve Centre (the "Land Reserve Centre") pursuant to which the Group has agreed to the resumption of a parcel of land located at Luyuan District (the "Land Compensation Agreement"), and the Land Reserve Centre has agreed to make compensation to the Group which amounted to RMB35,320,000 (equivalent to HK$44,709,000). The transaction was completed in 2013, the related assets have been derecognised and a gain on resumption of land which amounted to HK$18,779,000 (note 5) has been recognised in the profit or loss in 2013.

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

On 31 December 2013, the Group entered into another compensation agreement with the Land Reserve Centre pursuant to which the Group has agreed to the resumption of certain buildings, machineries and fixtures located in Luyuan District (the "Asset Compensation Agreements"). The Land Reserve Centre has agreed to make compensation to the Group which amounted to RMB86,480,000 (equivalent to HK$108,100,000). The net book value of the related buildings, machinery and fixtures amounting to approximately HK$5,500,000 had been reclassified from "property, plant and equipment" to "non-current assets held for sale" as at 31 December 2013. This transaction has been completed during the current year and the compensation has been fully settled. Therefore, the relevant assets recorded in non-current assets held for sale was derecognised and a gain on resumption of buildings, machinery and fixtures which amounted to HK$102,669,000 (note 5) has been recognised in the profit or loss in the current year.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 HK$'000	2013 HK$'000
Unlisted shares	859,461	859,461
Impairment	(275,888)	—
	583,573	859,461

Since certain production plants in the PRC ceased production for relocation or continued to incur losses in year 2014, an impairment of HK$275,888,000 (2013: nil) was recognised for certain unlisted investments with a carrying amount of HK$859,461,000 (before deducting the impairment loss) (2013: HK$859,461,000) and an impairment of HK$557,181,000 (2013: nil) was recognised for amounts due from subsidiaries with carrying amounts of HK1,342,023,000 (before deducting the impairment loss) (2013: HK$1,351,305,000). In the opinion of the directors, the impairment for investments in subsidiaries and amounts due from subsidiaries were adequately provided as at 31 December 2014.

The amounts due from subsidiaries above as well as the amounts due to subsidiaries in the Company's current liabilities of HK$414,923,000 (2013: HK$451,944,000) are unsecured, interest-free and have no fixed terms of repayment.

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

Name	Place of incorporation/ registration and business	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
Global Sweeteners Investments Limited ("Global Sweeteners")	British Virgin Islands	US$100	100	Investment holding
Global Sweeteners (China) Limited ("GS (China)")	British Virgin Islands	US$2	100	Investment holding
Global Sweeteners (HK) Limited	Hong Kong	HK$1,000	100	General administration
Global Starch Investments Limited	Hong Kong	HK$10,000	100	Investment holding
Global Sweeteners Retail Investment Company Limited	Hong Kong	HK$10,000	100	Investment holding

19. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held:				
Changchun Dihao Foodstuff Development Co., Ltd.*	The People's Republic of China (the "PRC")/ Mainland China	RMB81,000,000	100	Manufacture and sale of corn based sweetener products
Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*	PRC/Mainland China	US$22,200,000	100	Manufacture and sale of crystallised sugar
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*	PRC/Mainland China	US$49,504,000	100	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd.*	PRC/Mainland China	US$7,770,000	100	Manufacture and sale of corn based sweetener products
Shanghai Hao Cheng Food Development Co., Ltd.*	PRC/Mainland China	US$6,668,000	100	Manufacture and sale of corn based sweetener products
Shanghai Da Yi Food Co., Ltd. *	PRC/Mainland China	US$3,000,000	100	Manufacture and sale of corn based sweetener products
Shanghai Shangying Trading Co., Ltd.	PRC/Mainland China	RMB5,000,000	100	Packaging
Global Sweeteners Trade Development (Dalian) Co., Ltd. *	PRC/Mainland China	US$9,100,000	100	International trading, exhibition and consultation
Longjiang GSH Grains Co., Ltd.	PRC/Mainland China	RMB12,000,000	100	Corn procurement
Beipiao GSH Grains Trading Co., Ltd.	PRC/Mainland China	RMB3,000,000	100	Corn procurement
Global Sweeteners HFCS (Holdings) Limited	Hong Kong	HK$1,000	100	Investment holding

* Wholly-foreign-owned enterprise

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

20. INVENTORIES

	Group	
	2014 HK$'000	2013 HK$'000
Raw materials	**101,258**	898,725
Finished goods	**111,323**	170,081
	212,581	1,068,806

21. TRADE AND BILLS RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade receivables	422,203	576,307
Bills receivable	59,031	201,583
Impairment	(106,933)	(78,561)
	374,301	699,329

The Group normally gives credit terms of 90 days to established customers, and credit terms of 180 days were given to one major customer with long term business relationships and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in Mainland China which accounted for 31% of the total trade and bills receivables as at 31 December 2014 (2013: three customers accounted for 30%).

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

	2014 HK$'000	2013 HK$'000
Within 1 month	212,574	267,017
1 to 2 months	63,018	106,142
2 to 3 months	15,290	30,326
Over 3 months	83,419	295,844
	374,301	699,329

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

	2014 HK$'000	2013 HK$'000
At 1 January	78,561	82,205
Impairment losses recognised (note 6)	44,836	837
Impairment losses reversed (note 6)	—	(6,562)
Amount written off as uncollectible	(15,482)	—
Exchange realignment	(982)	2,081
At 31 December	106,933	78,561

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$106,933,000 (2013: HK$78,561,000) with a carrying amount before provision of HK$121,522,000 (2013: HK$91,938,000).

The individually impaired trade and bills receivables relate to customers that were in financial difficulties and the receivables are expected to be unrecoverable.

21. TRADE AND BILLS RECEIVABLES *(continued)*

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	2014 HK$'000	2013 HK$'000
Neither past due nor impaired	293,106	513,438
Less than 1 month past due	3,053	21,629
1 to 3 months past due	1,972	38,107
Over 3 months past due	61,581	112,778
	359,712	685,952

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

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

Transferred financial assets that are derecognised in their entirety

At 31 December 2014, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of HK$95,490,000 (2013: HK$433,685,000). The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). The directors consider that the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. The directors consider that the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2014, the Group has not recognised any gain or loss (2013: Nil) on the date of transfer of the Derecognised Bills. The endorsement has been made evenly throughout the year.

Included in the Group's trade receivables are amounts due from the Group's fellow subsidiaries of HK$70,796,000 (2013: HK$126,883,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

At 31 December 2014, no trade receivables or bills receivable (2013: Nil and HK$105,091,000, respectively) were pledged to secure bank loans.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Prepayments	262	1,455	336	241
Deposits and other receivables	377,486	164,382	–	–
PRC value-added tax ("VAT") receivables and other tax receivables	11,882	7,169	–	–
Current portion of prepaid land lease payments	7,123	7,317	–	–
	396,753	180,323	336	241

As at 31 December 2014, the Group has recorded in deposits and other receivables amounting to approximately HK$354 million (2013: HK$114 million) due from Changchun Dajincang Corn Collection Company ("Dajincang", a major supplier of corn kernels) due to the stock return of certain corn kernels to Dajincang by one of the Group's subsidiaries, Changchun Dihao. Because of the suspension of production in the preparation for the relocation, Changchun Dihao has returned corn kernels of 122,000 tons with a total amount of approximately HK$354 million (included value-added tax) to Dajincang. The stock return of corn kernels were charged at the original purchase price. Dajincang has two directors in common with the Group's fellow subsidiaries located in Mainland China. Thus, Dajincang is deemed as a related party to the Group. Other transactions and the balance with Dajincang have been included in "related party transactions" in note 34(iii) to the financial statements.

None of the above assets are either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014 HK$'000	2013 HK$'000
Financial product, at fair value	–	22,658

As at 31 December 2013, management designated this financial product as financial asset at fair value through profit or loss, which is carried in the consolidated statement of financial position at fair value, with net changes in fair value recognised in profit or loss. This financial product was withdrawn in January 2014.

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Cash and bank balances	159,826	353,975	40,646	25,695
Time deposits	30,109	58,935	—	53,232
	189,935	412,910	40,646	78,927
Less: Pledged for issuance of bills payables	—	(5,703)	—	—
Cash and cash equivalents	189,935	407,207	40,646	78,927

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$113,646,000 (2013: HK$356,775,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. TRADE AND BILLS PAYABLES

	2014 HK$'000	2013 HK$'000
Trade payables	227,665	421,310
Bills payable	–	5,703
	227,665	427,013

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, except for the purchase of corn kernels from farmers, which is normally settled on a cash basis. The carrying amounts of trade and bills payables approximate to their fair values.

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

	2014 HK$'000	2013 HK$'000
Within 1 month	185,895	174,741
1 to 2 months	3,369	12,863
2 to 3 months	1,970	7,392
Over 3 months	36,431	232,017
	227,665	427,013

Included in the Group's trade payables are amounts due to the Group's fellow subsidiaries of HK$18,612,000 (2013: HK$218,442,000) which are repayable on similar credit terms to those offered by the fellow subsidiaries to their major customers.

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Payables for purchases of machinery	50,356	42,449	–	–
Customer deposits/receipts in advance	41,606	60,171	–	–
VAT and other duties payable	91,306	59,401	–	–
Accrued transportation fee, welfare and others	75,975	59,567	6,682	8,820
Indemnity payables for breach of contracts (note 6)	21,938	–	–	–
	281,181	221,588	6,682	8,820

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

27. INTEREST-BEARING BANK BORROWINGS

Group

	31 December 2014			31 December 2013		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans — unsecured	3.84-6.30/ HIBOR	On demand/ 2015	396,250	3.73-7.32/ HIBOR	On demand/ 2014	1,225,649
Bank loans — secured	5.88-8.00	2015	75,000	6.16	2014	94,772
			471,250			1,320,421
Non-current						
Bank loans — unsecured	6.00-8.00	2016/2017	357,500	6.65-7.32	2015	37,185
Bank loans — secured	8.00	2016/2017	212,500			—
			570,000			37,185
			1,041,250			1,357,606

Company

	31 December 2014			31 December 2013		
	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans — unsecured	HIBOR	On demand	60,000	HIBOR	On demand	60,000

27. INTEREST-BEARING BANK BORROWINGS *(continued)*

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Analysed into:				
Bank loans repayable:				
Within one year or on demand	**471,250**	1,320,421	**60,000**	60,000
In the second year	**370,000**	37,185	**–**	–
In the third to fifth years	**200,000**	–	**–**	–
	1,041,250	1,357,606	**60,000**	60,000

Notes:

(a) As at 31 December 2014, none of the Group's bank borrowings (2013: HK$94,712,000) were secured by the pledge of the Group's bills receivables (2013: HK$105,091,000), and certain of the Group's bank borrowings amounting to HK$287,500,000 (2013: Nil) were secured by the pledge of certain of the Group's property, plant and equipment and prepaid land lease payment amounting to HK$665,400,000 (2013: Nil) and HK$56,348,000 (2013: Nil), respectively.

In addition, bank borrowings of certain subsidiaries in Mainland China were guaranteed by the Company with an aggregate amount of approximately HK$756,250,000 as at 31 December 2014 (2013: HK$1,012,961,000).

(b) As at 31 December 2014, the Group's bank borrowings of HK$981,250,000 (2013: HK$1,273,759,000), nil (2013: HK$23,847,000) and HK$60,000,000 (2013: HK$60,000,000) were denominated in Renminbi, United States dollars and Hong Kong dollars, respectively.

28. DEFERRED TAX

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

Deferred tax liabilities – Group	**Depreciation allowance in excess of related depreciation** HK$'000	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Revaluation of leasehold buildings** HK$'000	**Total** HK$'000
At 1 January 2013	36,713	50,912	20,071	107,696
Deferred tax charged to profit or loss during the year (note 10)	1,789	–	–	1,789
Deferred tax credited to other comprehensive income during the year	–	–	(3,678)	(3,678)
Exchange realignment	1,574	–	–	1,574
At 31 December 2013 and 1 January 2014	40,076	50,912	16,393	107,381
Deferred tax charged to profit or loss during the year (note 10)	1,989	–	–	1,989
Exchange realignment	(814)	–	–	(814)
At 31 December 2014	41,251	50,912	16,393	108,556

28. DEFERRED TAX *(continued)*

Deferred tax assets – Group	**Inventories provision** HK$'000
At 1 January 2013	2,022
Deferred tax credited to profit or loss during the year (note 10)	167
Exchange realignment	51
At 31 December 2013 and 1 January 2014	2,240
Deferred tax charged to profit or loss during the year (note 10)	(1,242)
Exchange realignment	(29)
At 31 December 2014	969

The Group had accumulated tax losses arising in Hong Kong of approximately HK$55,260,000 (2013: HK$43,781,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had accumulated tax losses arising in five PRC subsidiaries of approximately HK$1,055,131,000 (2013: HK$424,333,000) that were available for offsetting against future taxable profits of the companies in which the losses arose and these tax losses would expire from the year ending 31 December 2017 to the year ending 31 December 2019. The directors consider that no deferred tax assets should be recognised as these tax losses are only available to offset against future taxable profits of the individual companies in which the losses arose and may not be used to offset taxable profits elsewhere in the Group and the directors consider that it is uncertain whether future taxable profits would arise to offset against these losses for these companies.

At 31 December 2014, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. The directors consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$165,692,000 at 31 December 2014 (2013: HK$149,569,000).

29. SHARE CAPITAL

Shares

	2014 HK$'000	2013 HK$'000
Authorised: 100,000,000,000 (31 December 2013: 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 (31 December 2013: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

30. SHARE OPTION SCHEME

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

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a substantial shareholder of the Company, or an independent non-executive director or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

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

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

	2014		2013	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	1.67	25,400	1.67	31,400
Forfeited during the year	1.67	(500)	1.67	(6,000)
At 31 December	1.67	24,900	1.67	25,400

30. SHARE OPTION SCHEME *(continued)*

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

Exercise period	Grant date	The closing price immediately preceding the date of grant HK$	Exercise price* HK$	Number of options 2014 '000	2013 '000
11-7-2011 to 10-7-2016	11-7-2011	1.67	1.67	**24,900**	25,400

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

All the outstanding share options as at the end of the reporting period were granted during the year ended 31 December 2011 with fair value of HK$0.59 each. There were no additional share options granted during the years ended 31 December 2014 and 2013.

The fair value of equity-settled share options granted during the year ended 31 December 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	1.00
Expected volatility (%)	63.00
Risk-free interest rate (%)	1.44
Expected life of options (month)	60
Weighted average share price (HK$)	1.67

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 24,900,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 24,900,000 additional ordinary shares of the Company and additional share capital of HK$2,490,000 and share premium of HK$39,093,000 (before issue expenses).

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 57 of the financial statements.

(b) Company

	Contributed surplus HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2013	491,695	1,074,879	18,526	89,919	1,675,019
Total comprehensive loss for the year	–	–	–	(20,876)	(20,876)
Transfer of the share option reserve upon the forfeiture of share options	–	–	(3,540)	3,540	–
At 31 December 2013 and 1 January 2014	491,695	1,074,879	14,986	72,583	1,654,143
Total comprehensive loss for the year	–	–	–	(876,764)	(876,764)
Transfer of the share option reserve upon the forfeiture of share options	–	–	(295)	295	–
At 31 December 2014	491,695	1,074,879	14,691	(803,886)	777,379

Note: The contributed surplus of the Company represents the difference between the cost of investments in subsidiaries pursuant to the Reorganisation and the nominal value of the Company's shares issued therefore.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium account 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 account may also be distributed in the form of fully paid bonus shares.

32. CONTINGENT LIABILITIES

Group

Certain subsidiaries of the Group established in Mainland China, together with certain fellow subsidiaries also established in Mainland China had jointly provided the corporate guarantees to a bank in Mainland China in respect of the banking facilities granted to Dajincang starting from year 2010. The maximum amount of the banking facilities was RMB3 billion (approximately HK$3.75 billion) in aggregate as at each of the year ends of 2010, 2011, 2012 and 2013, and was reduced to RMB2.5 billion (approximately HK$3.13 billion) in aggregate as at 31 December 2014. Management has tried to engage a professional valuer to assess the fair value of these guarantees. As management was unable to obtain sufficient financial information of Dajincang, the professional valuer was unable to complete the related valuation and therefore no fair value assessment was made possible. The background of Dajincang is set out in note 22 to the financial statements.

Save as disclosed above, the Group did not have any significant contingent liabilities at the end of the reporting period.

The Company

The Company provided guarantees for banking facilities granted to certain subsidiaries. These subsidiaries utilised the banking facilities to the extent of approximately HK$756,250,000 as at 31 December 2014 (2013: HK$1,012,961,000). Management has assessed the fair value of these guarantees and the fair value of these guarantees of HK$47,937,000 (2013: HK12,224,000) was recognised by the Company as at 31 December 2014.

33. COMMITMENTS

At 31 December 2014, the Group had capital commitments as follows:

	Group	
	2014 HK$'000	2013 HK$'000
Contracted, but not provided for:		
Leasehold buildings	**23,882**	30,294
Plant and machinery	**8,142**	11,453
	32,024	41,747

The Company did not have any significant commitments as at 31 December 2014.

34. RELATED PARTY TRANSACTIONS

(i) Transactions with related parties

During the year, the Group had the following transactions with related parties:

	Notes	2014 HK$'000	2013 HK$'000
Purchases from fellow subsidiaries			
— Corn starch	(a)	91,792	113
Sales to fellow subsidiaries			
— Corn sweeteners	(b)	3,601	310,619
— Corn starch and corn steep liquor	(b)	18,870	121,968
— Corn oil	(b)	5,702	72,641
— Equipment and spare parts	(e)	7,705	—
Reimbursement of cost of utilities provided by a fellow subsidiary	(c)	39,066	184,342
Agency fee charged by a fellow subsidiary	(d)	3,783	7,275

Notes:

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

(b) The Group sold corn sweeteners, corn starch, corn steep liquor and corn oil to fellow subsidiaries. These sales were made at prices mutually agreed between the parties.

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

(d) The agency fee was paid to a fellow subsidiary who acted as a sales agent on behalf of the Group. The fee was charged at a price based on a mutual agreement between the parties.

(e) In the year ended 31 December 2014, the Group sold certain equipment and spare parts to certain fellow subsidiaries at the consideration of HK$7,705,000. The consideration was mutually agreed between the parties with reference to the net book value of the assets.

(ii) Other transactions with related parties

During the year ended 31 December 2014, leasehold buildings and prepaid land lease payment of the Group amounting to HK$143,177,000 (2013: Nil) and HK$20,432,000 (2013: Nil), respectively were pledged to secure the banking facilities of a fellow subsidiary, respectively.

(iii) Transactions with Dajincang

Dajincang, one of the major suppliers of the Group, is a company beneficially owned by the staff union of the Group's PRC employees. Dajincang has two directors in common with certain of the Group's fellow subsidiaries in Mainland China. Thus, Dajincang is deemed as a related party to the Group. The total purchases from Dajincang for the year ended 31 December 2014 amounted to HK$248 million (2013: HK$1,315 million).

As at 31 December 2014, the other receivables due from Dajincang amounted to approximately HK$354 million (2013: HK$114 million). Further details are set out in note 22 to the financial statements.

34. RELATED PARTY TRANSACTIONS *(continued)*

(iv) Balances with related parties

The balances with the ultimate holding company, the immediate holding company, fellow subsidiaries and related companies are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances with these group companies approximated to their fair values at the end of each reporting period.

(v) Compensation of key management personnel of the Group

	2014 HK$'000	2013 HK$'000
Short term employee benefits	7,107	5,855
Performance-related bonuses	–	1,170
Post-employment benefits	34	30
Total compensation paid to key management personnel	7,141	7,055

Save as disclosed and elsewhere in the consolidated financial statements, the Group did not have other related party transactions for the year.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Group			
	2014		2013	
	Loans and receivables HK$'000	Financial asset at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Financial asset at fair value through profit or loss HK$'000
Trade and bills receivables	374,301	–	699,329	–
Financial assets included in prepayments, deposits and other receivables	377,486	–	164,382	–
Financial asset at fair value through profit or loss	–	–	–	22,658
Due from the immediate holding company	22,036	–	21,709	–
Due from fellow subsidiaries	154,059	–	91,823	–
Pledged deposits	–	–	5,703	–
Cash and cash equivalents	189,935	–	407,207	–
Total	1,117,817	–	1,390,153	22,658

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	Group 2014 Financial liabilities at amortised cost HK$'000	Group 2013 Financial liabilities at amortised cost HK$'000
Trade and bills payables	227,665	427,013
Financial liabilities included in other payables and accruals	148,269	102,016
Interest-bearing bank borrowings	1,041,250	1,357,606
Due to fellow subsidiaries	92,682	258,344
Due to the ultimate holding company	28,587	30,482
Total	1,538,453	2,175,461

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

Financial assets

	Company 2014 Loans and receivables HK$'000	Company 2013 Loans and receivables HK$'000
Due from the ultimate holding company	81,800	81,800
Due from the immediate holding company	951	624
Due from subsidiaries	784,842	1,351,305
Cash and cash equivalents	40,646	78,927
Total	908,239	1,512,656

Financial liabilities

	Company 2014 Financial liabilities at amortised cost HK$'000	Company 2013 Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables and accruals	6,682	8,820
Due to subsidiaries	414,923	451,944
Due to fellow subsidiaries	32,468	32,468
Interest-bearing bank borrowings	60,000	60,000
Financial guarantee contracts	47,937	12,224
Total	562,010	565,456

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Financial asset				
Financial asset at fair value through profit or loss	–	22,658	–	22,658
Financial liability				
Interest-bearing bank borrowings	1,041,250	1,357,606	1,041,250	1,357,606

Company

	Carrying amounts		Fair values	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Financial liabilities				
Interest-bearing bank borrowings	60,000	60,000	60,000	60,000
Financial guarantee contracts	47,937	12,224	47,937	12,224
	107,937	72,224	107,937	72,224

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and balances with fellow subsidiaries, the ultimate holding company and the immediate holding company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial controller and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the interest-bearing bank loans and financial guarantee contracts have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans as at 31 December 2014 was assessed to be insignificant.

The fair values of financial asset at fair value through profit or loss have been calculated based on quoted market prices.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

The Group did not have any financial assets measured at fair value as at 31 December 2014.

Group
As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial asset at fair value through profit or loss	22,658	–	–	22,658

Liabilities measured at fair values:

Company
As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial guarantee contracts	–	47,937	–	47,937

Company
As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Financial guarantee contracts	–	12,224	–	12,224

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

Liabilities for which fair values are disclosed:

Group
As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	1,041,250	–	1,041,250

Group
As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	1,357,606	–	1,357,606

Company
As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	60,000	–	60,000

Company
As at 31 December 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Interest-bearing bank borrowings	–	60,000	–	60,000

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets of the Group include cash and cash equivalents, trade and bills receivables, prepayments, deposits and other receivables, amounts due from fellow subsidiaries, amounts due from ultimate holding company and an amount due from the immediate holding company. Financial liabilities of the Group include trade and bills payables, other payables and accruals, interest-bearing bank borrowings, an amount due to the ultimate holding company and amounts due to fellow subsidiaries.

Financial assets of the Company include cash and cash equivalents, amounts due from subsidiaries, an amount due from the immediate holding company and an amount due from the ultimate holding company. Financial liabilities of the Company include other payables and accruals, amounts due to subsidiaries, amount due to fellow subsidiaries, interest-bearing bank borrowings and financial guarantee contracts.

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 and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

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

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flows of the operations and the debt markets, where the Group would expect to refinance these borrowings with a lower cost of debt when considered appropriate.

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

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

	Group			Company	
	Increase/ (decrease) in interest rate	**Increase/ (decrease) in loss before tax**	**Increase/ (decrease) in equity**	**Increase/ (decrease) in interest rate**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000	%	HK$'000
2014					
Hong Kong dollar	1	(4,175)	(3,182)	1	(501)
Hong Kong dollar	(1)	4,175	3,182	(1)	501
2013					
Hong Kong dollar	1	(3,894)	(2,715)	1	(501)
Hong Kong dollar	(1)	3,894	2,715	(1)	501

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

Credit risk

The Group trades only with recognised and creditworthy third parties and fellow subsidiaries. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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

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

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

Liquidity risk

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

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

The maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Year ended 31 December 2014 — The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 Years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade and bills payables	—	227,665	—	—	—	227,665
Financial liabilities included in other payables and accruals	148,269	—	—	—	—	148,269
Interest-bearing bank borrowings	60,000	16,369	449,013	606,569	—	1,131,951
Due to fellow subsidiaries	92,682	—	—	—	—	92,682
Due to the ultimate holding company	28,587	—	—	—	—	28,587
	329,538	244,034	449,013	606,569	—	1,629,154

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

Liquidity risk *(continued)*

Year ended 31 December 2013 – The Group

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade and bills payables	—	427,013	—	—	—	427,013
Financial liabilities included in other payables and accruals	102,016	—	—	—	—	102,016
Interest-bearing bank borrowings	60,000	20,065	1,283,247	38,906	—	1,402,218
Due to fellow subsidiaries	258,344	—	—	—	—	258,344
Due to the ultimate holding company	30,482	—	—	—	—	30,482
	450,842	447,078	1,283,247	38,906	—	2,220,073

Year ended 31 December 2014 – The Company

	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	6,682	—	—	—	—	6,682
Due to subsidiaries	414,923	—	—	—	—	414,923
Due to fellow subsidiaries	32,468	—	—	—	—	32,468
Financial guarantee contracts	—	—	398,750	357,500	—	756,250
Interest-bearing bank borrowings	60,000	569	1,378	—	—	61,947
	514,073	569	400,128	357,500	—	1,272,270

Year ended 31 December 2013 – The Company

	On Demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	1 to 5 Years HK$'000	More than 5 years HK$'000	Total HK$'000
Financial liabilities included in other payables and accruals	8,820	—	—	—	—	8,820
Due to subsidiaries	451,944	—	—	—	—	451,944
Due to fellow subsidiaries	32,468	—	—	—	—	32,468
Financial guarantee contracts	—	—	975,776	37,185	—	1,012,961
Interest-bearing bank borrowings	60,000	564	—	—	—	60,564
	553,232	564	975,776	37,185	—	1,566,757

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

Capital management

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

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

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

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Interest-bearing bank borrowings	1,041,250	1,357,606	60,000	60,000
Less: Cash and cash equivalents	(189,935)	(407,207)	(40,646)	(78,927)
Net debt	851,315	950,399	19,354	(18,927)
Equity attributable to owners of the parent	930,137	2,043,378	930,138	1,806,902
Gearing ratio	92%	47%	2%	-1%

38. EVENT AFTER THE REPORTING PERIOD

In February 2015, two subsidiaries of the Group established in Mainland China entered into a maximum pledge contract with a bank in Mainland China to provide the pledge to secure banking facilities granted to a fellow subsidiary. The maximum pledge amount is RMB200 million (approximately HK$250 million). The carrying amounts of the leasehold buildings and prepaid land lease payment of the Group subject to the pledge amounted to HK$149,529,000 and HK$41,883,000, respectively.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2015.

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 financial statements is set out below.

	Year ended 31 December				
	2014* HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
RESULTS					
CONTINUING OPERATIONS					
REVENUE	2,919,716	4,200,019	4,520,146	4,274,680	3,190,443
Cost of sales	(3,109,569)	(4,062,266)	(4,169,239)	(3,730,026)	(2,820,212)
Gross profit	(189,853)	137,753	350,907	544,654	370,231
Other income and gains	130,830	46,113	49,581	62,469	28,500
Selling and distribution expenses	(213,562)	(237,843)	(255,812)	(231,210)	(157,601)
Administrative expenses	(108,610)	(113,273)	(108,830)	(105,943)	(68,844)
Other expenses	(621,620)	(39,201)	(15,773)	(4,588)	(432)
Finance costs	(79,438)	(97,255)	(127,749)	(73,682)	(51,613)
Share of profits/(losses) of joint ventures	–	–	(1,324)	(2,598)	1,196
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(1,082,253)	(303,706)	(109,000)	189,102	121,437
Income tax expense	(10,983)	(11,126)	(24,756)	(43,926)	(33,768)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(1,093,236)	(314,832)	(133,756)	145,176	87,669
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	–	(5,397)	(119,819)	(1,846)	3,393
PROFIT/(LOSS) FOR THE YEAR	(1,093,236)	(320,229)	(253,575)	143,330	91,062
Attributable to:					
Owners of the parent	(1,093,115)	(319,959)	(247,494)	144,072	89,402
Non-controlling interests	(121)	(270)	(6,081)	(742)	1,660
	(1,093,236)	(320,229)	(253,575)	143,330	91,062

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2014 HK$'000 Consolidated	2013 HK$'000 Consolidated	2012 HK$'000 Consolidated	2011 HK$'000 Consolidated	2010 HK$'000 Consolidated
TOTAL ASSETS	2,728,452	4,467,813	5,233,342	5,338,321	3,274,321
TOTAL LIABILITIES	(1,804,552)	(2,430,630)	(2,909,388)	(2,775,388)	(1,347,409)
NON-CONTROLLING INTERESTS	6,237	6,195	5,778	(90)	(7,376)
	930,137	2,043,378	2,329,732	2,562,843	1,919,536

* Details of the disclaimer of audit opinion are set out in independent auditors' report on page 49 to page 52.