GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED
大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

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

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

* *for identification purposes only*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	*4*	**3,882,840**	3,352,003
Cost of sales		**(3,567,018)**	(3,610,572)
Gross profit (loss)		**315,822**	(258,569)
Other income and gains	*4*	**187,116**	138,529
Selling and distribution expenses		**(296,578)**	(177,468)
Administrative expenses		**(347,562)**	(383,037)
Other expenses		**(1,500,062)**	(1,068,660)
Finance costs	*6*	**(441,118)**	(515,873)
LOSS BEFORE TAX	*5*	**(2,082,382)**	(2,265,078)
Income tax credit (expense)	*7*	**170,096**	(5,461)
LOSS FOR THE YEAR		**(1,912,286)**	(2,270,539)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		**96,586**	37,982
Items that will not be reclassified subsequently to profit or loss:			
Deficit on property revaluation		**(20,633)**	(7,117)
Income tax effect		**8,190**	1,283
		(12,443)	(5,834)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**84,143**	32,148
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,828,143)**	(2,238,391)

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(1,850,640)**	(1,995,970)
Non-controlling interests		**(61,646)**	(274,569)
		(1,912,286)	(2,270,539)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,657,297)**	(1,974,367)
Non-controlling interests		**(170,846)**	(264,024)
		(1,828,143)	(2,238,391)
LOSS PER SHARE			
Basic	*9*	**HK$(0.29)**	HK$(0.51)
Diluted	*9*	**HK$(0.29)**	HK$(0.51)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**6,390,498**	6,301,975
Prepaid land lease payments		**574,495**	449,206
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**50,310**	5,251
Goodwill		**—**	—
Intangible assets		**5,368**	5,410
Other receivables	*13*	**—**	494,593
Interests in an associate		**—**	—
		7,020,671	7,256,435
Current assets			
Non-current assets held for sale	*10*	**—**	1,349,707
Inventories	*11*	**539,848**	729,389
Trade and bills receivables	*12*	**424,002**	298,199
Prepayments, deposits and other receivables	*13*	**878,224**	1,275,238
Due from an associate		**20,388**	23,104
Equity investments at fair value through profit or loss		**—**	33,300
Pledged deposits	*14*	**53,568**	47,003
Cash and cash equivalents	*14*	**896,487**	1,567,426
		2,812,517	5,323,366
Current liabilities			
Trade and bills payables	*15*	**1,543,439**	1,505,592
Other payables and accruals		**1,260,413**	1,556,462
Current portion of interest-bearing bank and other borrowings		**3,441,116**	4,592,235
Taxation		**164,997**	170,258
		6,409,965	7,824,547
Net current liabilities		**(3,597,448)**	(2,501,181)
Total assets less current liabilities		**3,423,223**	4,755,254

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Non-current liabilities			
Interest-bearing bank and other borrowings		**4,191,332**	3,564,643
Deferred income		**147,114**	134,011
Deferred taxation		**30,930**	226,433
Convertible bonds		**857,914**	806,091
		5,227,290	4,731,178
NET (LIABILITIES) ASSETS		**(1,804,067)**	24,076
Capital and reserves			
Share capital	*16*	**639,900**	639,900
Reserves		**(2,444,681)**	(787,384)
Deficit attributable to owners of the Company		**(1,804,781)**	(147,484)
Non-controlling interests		**714**	171,560
TOTAL (DEFICIT) EQUITY		**(1,804,067)**	24,076

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong.

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

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

Going concern

The Group recorded a loss for the year of approximately HK$1,912 million (2015: approximately HK$2,271 million) for the year ended 31 December 2016 and as at that date, the Group recorded net current liabilities of approximately HK$3,597 million (2015: approximately HK$2,501 million) and net liabilities of approximately HK$1,804 million (2015: net assets of approximately HK$24 million). In addition, financial guarantees were first granted by certain subsidiaries of the Company during November 2010 to March 2015 as disclosed in the announcement made by the Company dated 31 March 2015 (the "Previous Financial Guarantee Contracts"). As disclosed in the joint announcement of the Company and Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the previous loan advanced by 中國銀行股份有限公司偉峰國際支行(Bank of China Weifeng International Branch) ("BOC") to a former major supplier of corn kernels of the Group, Changchun Dajincang Corn Procurement, Ltd.（長春大金倉玉米收儲有限公司）("Dajincang" or the "Supplier") expired between August to November 2016. To avoid immediate demand for full repayment of the previous supplier loan by the guarantors or any of them pursuant to the Previous Financial Guarantee Contracts, new loan agreements were entered into by the Supplier and BOC, and new supplier guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by certain subsidiaries of the Company to BOC to guarantee the obligations of the Supplier under the new supplier loan (the "New Financial Guarantee Contracts", together with the Previous Financial Guarantee Contracts, collectively the "Financial Guarantee Contracts"). Any potential liabilities or obligations arising from the New Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the Directors of the Company have taken the following steps to improve the Group's financial position.

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

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

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

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

Reference is made to the joint announcement of the Company and GSH dated 2 March 2017. The Company and GSH have entered into termination agreements with 吉林省太陽神建築工程有限公司(Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Former Purchaser") to terminate the property transfer agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and members of the GSH Group respectively (the "Property Disposal Agreements") in respect of the sale and purchase of pieces of land in Lu Yuan District, Changchun, the PRC and the buildings erected thereon ("Relevant Properties"); and the asset disposal agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and members of the GSH Group respectively (the "Asset Disposal Agreements") in respect of the sale and purchase of including among others prepayments, trade and other receivables and/or inventories and tools of the Group and the GSH Group ("Relevant Assets"). During the negotiation process with the Former Purchaser with respect to the termination agreements, the Company, together with GSH, have been in discussion with another potential purchaser in respect of the sale and purchase of the Relevant Properties. The potential purchaser is a municipal government-owned enterprise. Pursuant to a memorandum of understanding entered into between the Group and the potential purchaser, it is expected that the potential purchaser shall purchase the Relevant Properties with a consideration of not less than RMB2.2 billion, subject to the price to be determined by way of auction. Although the negotiation for the proposed disposal is still at a preliminary stage, given the potential purchaser is a municipal government owned enterprise, the management is prudently optimistic that the disposal will be materialised. If the disposal of the Relevant Properties is materialised, the Group and the GSH Group will have additional funds to finance its operations and the capital expenditure for relocation of their production facilities in Changchun.

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

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

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

In March 2016, the Group received a written confirmation ("Letter of Support of Jiaotou") from the then ultimate holding entity of a major shareholder of the Company, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou"), that it will provide financial support to the Group for its operation on a going concern basis and undertake all the liabilities that may arise from the Financial Guarantee Contracts. The Letter of Support of Jiaotou will expire in September 2017.

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

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

Based on the considerations as outlined in (1), (2), (3) and (4) above, the Directors are of the view that the Company could operate as a going concern in foreseeable future. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and reclassification of non-current asset and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

Adoption of new/revised HKFRSs

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

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKASs 16 and 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKASs 16 and 41	Bearer Plants
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Project	2012-2014 Cycle

Amendments to HKAS 1: Disclosure Initiative

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

Annual Improvements Project – 2012-2014 Cycle

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

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

(2) HKFRS 7 Financial Instruments: Disclosures

(a) Servicing contracts

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

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

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

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

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

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

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

The amendment clarifies the meaning of disclosures of certain information "elsewhere in the interim financial report" as allowed by HKAS 34. The disclosures shall be given by cross-reference from the interim financial statements to some other statement that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time. The adoption of the amendment did not have any significant impact on the consolidated financial statements.

Basis of measurement

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

Future changes in HKFRSs

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

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

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

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

(a) Segment results

For the year ended 31 December 2016

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

For the year ended 31 December 2015

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

(b) Other information

For the year ended 31 December 2016

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

For the year ended 31 December 2015

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

5. LOSS BEFORE TAX

This is stated after charging (crediting):

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

6. FINANCE COSTS

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

7. INCOME TAX CREDIT (EXPENSE)

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

	2016	2015
	HK$'000	*HK$'000*
Current tax — current year		
The PRC	**(1,584)**	(4,886)
Overseas	**—**	(15)
	(1,584)	(4,901)
Deferred taxation		
Origination and reversal of temporary differences	**171,680**	(560)
Total tax credit (charge) for the year	**170,096**	(5,461)
Taxation recognised directly in other comprehensive income		
Deferred tax credit relating to revaluation deficit of property, plant and equipment	**8,190**	1,283

8. DIVIDENDS

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

9. LOSS PER SHARE

Basic

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

Diluted

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

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

10. NON-CURRENT ASSETS HELD FOR SALE

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

The Group has sought PRC legal advice of their rights under the Property Disposal Agreements and the Asset Disposal Agreements and were advised that if the Group initiates legal proceedings against the Former Purchaser, such proceedings will be time consuming, costly and the Relevant Properties may be subject to seizure by the court during the legal proceedings. The Directors thus considered that the successful disposal of the non-current assets held for sale to the Purchaser became remote. The criteria of classifying these assets as non-current assets held for sale are no longer met, and these assets are reclassified to leasehold buildings included in property, plant and equipment and prepaid land lease payments as at 31 December 2016.

11. INVENTORIES

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

12. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

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

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

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

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

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

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

As at 31 December 2016, prepayments, deposits and other receivables amounting to approximately HK$824 million (2015: HK$756 million) before provision of impairment was due from Dajincang, a former major supplier of corn kernels. The amount mainly arose from return of corn kernels inventories to Dajincang by two of the Company's subsidiaries, Changchun Dihao Foodstuff Development Co., Ltd and Changchun Baocheng Biochem Development Co., Ltd, and a prepayment made by Changchun Dahe Bio Technology Development Co., Ltd during the year ended 31 December 2014.

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

As disclosed in a joint announcement of the Company and GSH dated 2 March 2017, the Company and GSH have entered into termination agreements with the Former Purchaser to terminate the Asset Disposal Agreements. As these receivables are considered irrecoverable, further provision for impairment amounting to HK$802 million has been made. As a result, the net carrying amount of receivable from Dajincang amounted to approximately HK$22 million as at 31 December 2016.

14. CASH AND CASH EQUIVALENTS

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

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$298,798,000 (2015: HK$114,511,000). RMB is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

15. TRADE AND BILLS PAYABLES

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

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**322,270**	255,456
1 to 2 months	**27,012**	26,150
2 to 3 months	**18,357**	28,529
Over 3 months	**1,175,800**	1,195,457
	1,543,439	1,505,592

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

16. SHARE CAPITAL

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

Opening balances and corresponding figures

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

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

Impairment of non-current assets

During the year ended 31 December 2015, the Group recognised impairment losses on property, plant and equipment and goodwill of HK$359 million and HK$106 million respectively based on Directors' impairment assessment. We were unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the Directors' impairment assessment at 31 December 2015. Any adjustments found to be necessary in respect of the impairment of the non-current assets together with related tax may have a significant impact on the financial position of the Group at 31 December 2015, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

Financial guarantee contracts

As at 31 December 2016, certain subsidiaries of the Company had jointly provided corporate guarantees to a bank in connection with banking facilities granted to a former major supplier of the Group with the maximum guaranteed amount of RMB2.5 billion (the "Financial Guarantee Contracts"). During the year ended 31 December 2016, the then ultimate holding entity of a major shareholder of the Company, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) provided a confirmation in writing that it will undertake all the liabilities that may arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the "Letter of Support of Jiaotou"). The Financial Guarantee Contracts and the Letter of Support of Jiaotou have not been recognised in the Group's financial statements. As the management had not developed and applied an appropriate accounting policy for the Letter of Support of Jiaotou and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with the HKFRSs issued by the HKICPA, we were unable to determine whether any adjustments to the consolidated financial statements were necessary, which may have a significant impact on the financial position of the Group at 31 December 2015 and 2016, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

Consolidation of foreign subsidiaries

Included in the 2015 Financial Statements were revenue of HK$100 million, loss for the year of HK$34 million, total assets of HK$83 million and net deficits of HK$196 million attributable to two foreign subsidiaries, namely Global Bio-chem Technology Americas Inc. ("GBTA") and Global Bio-chem Technology Europe GmbH Inc. ("GBTE") in aggregate. As the books and records of GBTA and GBTE were inadequate during our audit of the 2015 Financial Statements, we were unable to perform effective audit procedures and to obtain sufficient appropriate audit evidence to verify the financial information of GBTA and GBTE included in the 2015 Financial Statements. Any adjustments found to be necessary in respect of the GBTA and GBTE financial information for the year ended 31 December 2015 may have a significant impact on the financial position of the Group at 31 December 2015, and of the financial performance and the consolidated statement of cash flows of the Group for the year ended 31 December 2016.

Inventories

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

Fundamental uncertainties relating to going concern

As disclosed in Note 2 to the consolidated financial statements, the Group recorded a loss for the year HK$1,912 million during the year ended 31 December 2016 and, as of that date, the Group had net current liabilities and net liabilities of HK$3,597 million and HK$1,804 million respectively. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

UPDATE ON REMEDIAL MEASURES

The 2015 Financial Statements had been subject to the disclaimer of opinions of Auditor in the independent Auditor's report in the Company's annual report for the year ended 31 December 2015 ("2015 Annual Report"). Further to the management response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the Company's interim report for the six months ended 30 June 2016 ("2016 Interim Report"), the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken as follows.

1. Impairment of non-current assets

As detailed in the 2015 Annual Report, an impairment assessment on certain property, plant and equipment of the Group at 31 December 2014 and 2015 was performed by the Directors. The Auditor was unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the Directors' impairment assessment at 31 December 2014 and 2015.

During the Year, the management has engaged an independent professional qualified valuer to perform a valuation in order to assess the impairment on the Group's property, plant and equipment of the losses sustained by subsidiaries. Moreover, the relocation of production facilities of the Group to the site in Xinglongshan, Changchun, will offer an opportunity to upgrade the production facilities as well as to re-adjust the product mix and production capacity to better suit current market needs. The Board expects all major upstream products and sweeteners production facilities in Changchun will resume full production capacity upon the completion of the relocation. The management also performed cash flow forecast and adopted discounted cash flow approach to assess the impairment on the Group's property, plant and equipment in 2016.

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

2. Financial guarantee contracts

As detailed in the 2015 Annual Report, the Previous Financial Guarantee Contracts were not recognised in the Group's consolidated financial statements for the year ended 31 December 2015 because the professional valuer could not proceed with the valuation as the Company was unable to obtain reliable financial information of Dajincang for professional valuer to conduct an accurate valuation. During the Year, as a result of similar difficulties encountered by the Group in 2015, no valuation as at 31 December 2016 could be proceeded.

As disclosed in the joint announcement of the Company and GSH dated 8 August 2016 and the circular of the Company dated 6 September 2016, New Financial Guarantee Contracts were granted by certain subsidiaries of the Company to BOC to guarantee the obligations of the Supplier under the new supplier loan. As at the date of this announcement, BOC did not express any intention to enforce the New Financial Guarantee Contracts or demand the Group to repay the new supplier loans.

3. Consolidation of foreign subsidiaries

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

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

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

4. Inventory losses

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

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

5. Material uncertainty relating to going concern

With respect to the material uncertainty relating to the Group's ability to continue as a going concern, the Directors have expressed their views and outlined the steps that have been taken and to be taken to improve the Group's financial position in note 2 of this announcement. Dependent on the successful and favourable outcomes of the steps being taken as described in note 2 of this announcement, the Board, including the audit committee of the Company, is of the view that the Group will be able to continue as a going concern in foreseeable future. Please refer to note 2 of this announcement for details.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of corn refined products, amino acids, polyol chemicals and corn sweeteners. The upstream corn refinery segment serves as a feedstock which break down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products.

BUSINESS REVIEW

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

During the year ended 31 December 2016 (the "Year"), despite the continuous effort of the state government to stimulate economic growth and development, the economic growth in China remained slow. Sluggish demands in domestic market as well as overseas markets coupled with increasing costs have dragged down Chinese exports trade by 7.7 per cent year-on-year. Although export trade figures improved by the end of the Year as weaker RMB had made Chinese products more attractive, uncertainties about growing global protectionism continued to put pressure on China's exports performance during the Year.

Global corn production continues to grow and is estimated to hit 1,040 million metric tonnes ("MT") for the year 2016/2017, according to the estimates from the USDA. International corn price increased slightly to 425 US cents per bushel (equivalent to RMB1,160 per MT) (end of 2015: 406 US cents per bushel) by the end of the Year. In the People's Republic of China (the "PRC" or "China"), corn production in 2016/17 reaches 220 million MT (2015/16: approximately 225 million MT), with average market price lowered to approximately RMB1,735 per MT (end of 2015: RMB2,023 per MT) by the end of 2016. The lower domestic corn price was a result of the Chinese agricultural policy reforms. As disclosed in the Company's 2016 interim report, in an official government document "Opinion on the implementation of the establishment of subsidy programme to corn producers"（關於建立玉米生產者補貼制度的實施意見）dated 19 June 2016, the State Government confirmed the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region, and the introduction of direct subsidy programme in these provinces in 2016/17 corn harvest season. The scheme has restored market approach in the determination of agricultural products and brought stability to the agricultural product prices in China. In addition, certain provincial governments in northeast China introduced direct subsidies to corn refiners which purchase local corn during the harvest months of 2016. For instance, the Jilin provincial government and the Liaoning provincial government offer subsidies of RMB200 and RMB100, respectively, for qualified corn refiners for every MT of corn purchased locally during the months of October 2016 till the end of April 2017 which processed before June 2017. During the Year, the Group was entitled to HK$133 million of subsidies for the purchase of corn kernels for its operations in Jilin Province – the added cost advantage has contributed to the turnaround of the Group's upstream business in the second half of the Year.

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

With respect to the Group's lysine business, years of consolidation has eliminated a number of inefficient capacities in the market. Although there is still overcapacity in China, industry players are moving towards building demands and promoting a healthier operating environment. Destructive pricing strategy and pushing out large volume are no longer common in the Chinese lysine market. Although short-term volatility in lysine prices driven by the prices of related products such as meat and soybean could be observed, the lysine market is gradually getting back to equilibrium. During the Year, lysine price has stayed within a healthy range of RMB8,000 to RMB10,000 per

MT for most of the months, with a surge in the fourth quarter to RMB18,000 per MT as a result of temporary shortage due to traffic obstruction caused by bad weather. Taking the advantage of the lower corn cost resulting from the provincial corn purchasing subsidies and improved production efficiency from the facility upgrade last year, the management has been able to flexibly adjust and optimise facility utilisation in response to market changes during the Year. As a result, the Group's lysine segment has recorded gross profit for the Year as compared to gross loss for the previous year.

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

As for the sugar market, decreased production in various major sugar producing countries has boosted international sugar price to 23.90 US cents per pound (equivalent to RMB3,456.50 per MT) (2015: 16.16 US cents per pound, equivalent to RMB2,212.42 per MT) at its peak during the Year. In the PRC, cane sugar production dropped from 10.8 million MT to 9.0 million MT in 2015/16 harvest, with domestic sugar price once hit RMB7,119.40 per MT (2015: RMB5,517.90 per MT) during the Year. The increased sugar price in contrast with the decreased corn price has highlighted the cost advantage of corn sweeteners over cane sugar, raising customers' incentive to switch to corn sweeteners. Although estimates have shown that the World's sugar production will increase from approximately 165 million MT to approximately 171 million MT in the 2016/17 harvest, with the World's sugar consumption estimate at 174 million MT, shortage will continue for the year 2017. As such, the outlook on sugar and sweetener market remains positive.

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

FINANCIAL PERFORMANCE

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

Upstream products

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

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

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

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

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

Amino acids

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

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

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

Polyol chemicals

(Revenue: HK$4.9 million (2015: HK$60.0 million))
(Gross profit: HK$3.9 million (2015: HK$16.6 million))

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

As a result, the revenue of polyol chemicals segment decreased by 91.8% to approximately HK$4.9 million (2015: HK$60.0 million). As substantial provision in relation to the closing inventories of polyol chemicals has been made in 2015 and those provision has been reversed during the Year with the subsequent sales of polyol chemicals, the polyol chemicals segment recorded gross profit of approximately HK$3.9 million (2015: HK$16.6 million), with a gross profit margin of 79.6% (2015: 27.7%) during the Year.

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

Corn sweeteners

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

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

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

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

Export sales

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

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

Other income and gains

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

Selling and distribution expenses

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

Administrative expenses

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

Other expenses

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

Finance costs

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

Income tax credit (expense)

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

Loss shared by non-controlling shareholders

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

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

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

Structure of interest-bearing borrowings

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

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

Convertible bonds

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

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

Turnover days, liquidity ratios and gearing ratios

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

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

Foreign exchange exposure

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for 24.5% of the Group's revenue in which most of these transactions were denominated in US Dollars. The Directors have been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi. However, considering the depreciation of Renminbi during the Year, the Directors are of the view that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

LITIGATIONS

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

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

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

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

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

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

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

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

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

EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

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

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

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

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

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

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

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

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

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

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

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

Pursuant to the Construction Agreement, Dacheng Bio-tech has agreed to appoint the Contractor as the main contractor for the construction which shall commence in March 2017 and complete in July 2018 according to the construction progress plan agreed between the parties. The production plant shall have an annual production capacity of 165,000 tonnes of methanol upon completion of the construction. The aggregate sum of consideration payable by Dacheng Bio-tech for the construction shall be approximately RMB243.89 million (equivalent to approximately HK$270.99 million) unless adjusted by the parties in the occurrence of events such as change of design of the production plant and/or delay in the construction.

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

FUTURE PLANS AND PROSPECTS

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

In the short run, the Group will take opportunity of the relocation of its production facilities to the Xinglongshan site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2016, the Group had approximately 5,200 (2015: 5,600) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

PURCHASE, SALES 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.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

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

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

The Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors.

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

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee comprises three independent non-executive Directors namely Mr. Ng Kwok Pong (the chairman of the committee), Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.

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

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

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company will be held at Admiralty Conference Centre, Room 1804A, 18/F., Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty, Hong Kong on 22 May 2017 at 11:30 a.m.. Notice of the 2016 annual general meeting will be published and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

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

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

FULL DETAILS OF FINANCIAL INFORMATION

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

SCOPE OF WORK OF WORLD LINK CPA LIMITED

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

By order of the Board
Global Bio-chem Technology Group Company Limited
Lee Chi Yung
Company Secretary

Hong Kong, 29 March 2017

As at the date of this announcement, the board of Directors comprises two executive Directors, namely, Mr. Yuan Weisen and Mr. Zhang Zihua and three independent non-executive Directors, namely Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Ms. Chiu Lai Ling Shirley.