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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	2017	2016	Change %
Revenue (HK$'Mn)	**1,395**	995	40.2
Gross profit (HK$'Mn)	**154**	104	48.1
Loss before tax (HK$'Mn)	**(143)**	(254)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(140)**	(162)	N/A
Basic loss per share (HK cents)	**(9.2)**	(10.6)	N/A
Proposed final dividend per share (HK cents)	**—**	—	N/A

* *For identification purposes only*

The board ("Board") of directors ("Directors") of Global Sweeteners Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 (the "Year"), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
REVENUE	*4*	**1,395,090**	995,218
Cost of sales		**(1,240,651)**	(890,960)
Gross profit		**154,439**	104,258
Other income and gains	*4*	**9,983**	14,789
Selling and distribution costs		**(134,735)**	(83,982)
Administrative expenses		**(102,825)**	(115,329)
Reversal of impairment of property, plant and equipment	*5*	**—**	138,937
Reversal of impairment (Impairment) of trade and bills receivables, net	*5*	**399**	(3,184)
Reversal of impairment (Impairment) of prepayments, deposits and other receivables, net	*5*	**10,744**	(229,740)
Other expenses		**(31,024)**	(31,776)
Finance costs	*6*	**(49,708)**	(48,451)
LOSS BEFORE TAX	*5*	**(142,727)**	(254,478)
Income tax credit	*7*	**2,469**	92,120
LOSS FOR THE YEAR		**(140,258)**	(162,358)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(18,368)**	11,893
Items that will not be reclassified to profit or loss in subsequent periods:			
Gain (Loss) on property revaluation	*10*	**31,565**	(21,390)
Income tax effect		**(7,892)**	5,348
		23,673	(16,042)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX		**5,305**	(4,149)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(134,953)**	(166,507)

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Loss attributable to:			
Owners of the Company		**(140,258)**	(162,358)
Non-controlling interests		**—**	—
		(140,258)	(162,358)
Total comprehensive (loss) income attributable to:			
Owners of the Company		**(134,443)**	(166,939)
Non-controlling interests		**(510)**	432
		(134,953)	(166,507)
LOSS PER SHARE	*9*		
Basic		**HK(9.2) cents**	HK(10.6) cents
Diluted		**HK(9.2) cents**	HK(10.6) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**896,985**	780,869
Prepaid land lease payments		**147,999**	140,615
Deposits paid for acquisition of property, plant and equipment		**308**	170
Goodwill	11	**—**	—
Other intangible assets		**3,243**	3,243
		1,048,535	924,897
CURRENT ASSETS			
Inventories		**169,130**	112,346
Trade and bills receivables	12	**136,980**	193,026
Prepayments, deposits and other receivables	13	**66,012**	65,530
Pledged deposits		**41,103**	—
Cash and bank balances		**173,697**	116,972
		586,922	487,874
CURRENT LIABILITIES			
Trade and bills payables	14	**176,446**	140,697
Other payables and accruals		**258,432**	204,216
Interest-bearing bank borrowings		**711,807**	608,333
Due to fellow subsidiaries		**126,095**	190,636
Tax payable		**26,355**	23,202
		1,299,135	1,167,084
NET CURRENT LIABILITIES		**(712,213)**	(679,210)
TOTAL ASSETS LESS CURRENT LIABILITIES		**336,322**	245,687

	Notes	**2017**	2016
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**415,663**	200,000
Deferred income		**34,072**	31,600
Deferred tax liabilities		**9,560**	2,107
		459,295	233,707
NET (LIABILITIES) ASSETS		**(122,973)**	11,980
Capital and reserves			
Share capital	*15*	**152,759**	152,759
Reserves		**(269,429)**	(134,986)
(Deficit) Equity attributable to owners of the Company		**(116,670)**	17,773
Non-controlling interests		**(6,303)**	(5,793)
TOTAL (DEFICIT) EQUITY		**(122,973)**	11,980

Notes:

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 1104, Admiralty Centre, Tower 1, No. 18 Harcourt Road, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners.

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

2.1 BASIS OF PREPARATION

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

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

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$140.3 million (2016: approximately HK$162.4 million) for the year ended 31 December 2017 and as at that date, had net current liabilities of approximately HK$712.2 million (31 December 2016: approximately HK$679.2 million) and net liabilities of approximately HK$123.0 million (31 December 2016: net assets approximately HK$12.0 million). As disclosed in the joint announcement of the Company and GBT dated 8 December 2017 and the circular of the Company dated 17 January 2018, the term of the previous financial guarantee contracts ("Previous Supplier Guarantees") given by members of the GBT Group and the Group for the benefit of Changchun Dajincang Corn Procurement, Ltd. (長春大金倉玉米收儲有限公司) ("Dajincang" or the "Former Supplier") had expired in September 2017 and the Former Supplier still did not have sufficient financial resources to repay the loan ("Previous Supplier 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 the Former Supplier under certain loan agreements entered into between the Former Supplier and BOC in 2016 and 2017 ("Previous Supplier Loan Agreements") with an aggregate principal amount of RMB2.49 billion, when the same fell due.

To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, the Former Supplier proposed to refinance the Previous Supplier Loan by entering into the new supplier loan agreements with BOC for the all indebtedness due and owing to BOC ("New Supplier Loan"). As one of the conditions to the New Supplier Loan, a new supplier guarantee ("Dihao New Supplier Guarantee") was granted by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("Dihao Foodstuff") a subsidiary of the Company to BOC to guarantee the obligations of the Former Supplier under the New Supplier Loan. Any potential liabilities or obligations arising from the Dihao New Supplier Guarantee may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee of the Company (the "Audit Committee") after its critical review of the management's position, the management of the Company has taken the following steps to improve the Group's financial position:

(1) Active negotiations with banks to obtain adequate bank borrowings

The management of the Company has been actively negotiating with banks in the People's Republic of China (the "PRC") to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. A debt-equity swap proposal for the restructure of the debt of the Company's subsidiaries in Changchun has been submitted to the People's Government of Jilin for consideration. After series of discussions with the relevant professional parties on fine-tuning the proposal, the management believes that realisation of the proposal is unlikely in the near future. The Group has also been exploring other alternatives to strengthen the financial position of the Group, among others, to restructure the short-term bank loans to long-term ones.

(2) Transfer of two subsidiaries in Changchun to the GBT Group

As announced by the Company and GBT on 21 July 2017, the Group entered into an agreement with the GBT Group for the sale and purchase of two subsidiaries of the Company, Dihao Foodstuff and Changchun Dihao Crystal Sugar Industry Development Co., Ltd. (together the "Target Companies") (the "Transaction").

The Target Companies are situated in Changchun, the PRC, and have been loss-making since 2014. The Transaction will enable the Group to direct its resources to high value-added markets. In addition, as announced by the Company and GBT on 8 August 2016, Dihao Foodstuff is one of the guarantors of the Previous Supplier Guarantees. As all of the other guarantors of the Previous Supplier Guarantees are members of the GBT Group but not the Group, the Transaction would relieve the Group from the Previous Supplier Guarantees (which had subsequently been replaced by among others, the Dihao New Supplier Guarantee).

Following the completion of the Transaction, the Target Companies will cease to be the subsidiaries of the Company and the financial performance of the Target Companies will cease to be consolidated into that of the Group. It is expected that after completion of the Transaction, the financial performance of the Group will improve.

The completion of the Transaction is conditional upon fulfillment of certain conditions. Up to the date of approval of these consolidated financial statements, those conditions have not been completely fulfilled. Specifically, the Directors are still in the process of discussing with the relevant banks for the release of the guarantees and/or charges given by the relevant member of the Group in respect of the indebtedness of the Dihao Foodstuff.

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

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

(4) Financial support from an indirect controlling shareholder of GBT

In March 2016, the Group received a written confirmation (the "Confirmation") from the then ultimate holding entity of a major shareholder of GBT, 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 for the benefit of Dajincang.

As announced by GBT on 2 March 2017, Jilin Agricultural Investment Group Co., Ltd. (吉林省農業投資集團有限公司, "Nongtou"), an entity controlled by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province, became an indirect controlling shareholder of GBT. The Group has received a written confirmation from Nongtou dated 6 March 2017 that it will provide financial support to the Group and the GBT Group in the next 24 months for their operations on a going concern basis and undertake all the liabilities that may arise from among others, the Dihao New Supplier Guarantee. Such assistance received by the Group is not secured by any assets of the Group. On 22 January 2018, Nongtou reconfirmed the validity of the confirmation dated 6 March 2017.

In addition, the Group signed a corn purchasing agreement with Jilin Jiliang Assets Supply Chain Management Co., Ltd. (吉林吉糧資產供應鏈管理有限公司, "Jiliang"), a subsidiary of Nongtou, in May 2017 to ensure a stable supply of corn kernels and to lower the cost of raw material. During the Year, the Group purchased approximately 10,000 metric tonnes ("MT") of corn kernels from Jiliang which accounted for 2.4% of total corn procurement of the Group. In January 2018, the Group, through the connection of Nongtou, signed a one year 500,000MT corn procurement contract with a Stated-owned enterprise to secure a stable supply of corn kernels for the year 2018.

Nongtou, being a State-owned enterprise, was established in August 2016 and its unaudited net assets value amounted to RMB1,173.9 million as at 31 December 2017 (31 December 2016: RMB460.8 million), is tasked to consolidate the State-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, to provide synergistic effects among its various investments in the agricultural sector in Jilin Province and to provide adequate and sufficient financial support to the Group.

The validity of the going concern basis on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. Based on the measures as outlined above, the management of the Company is of the view that the Group would be able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future. Therefore, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2016 consolidated financial statements.

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs	2014 — 2016 Cycle: HKFRS 12

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The adoption of the amendments results in the additional disclosures in the consolidated financial statements. In accordance with the transitional provisions therein, the comparative information is not presented in the first year of adoption.

Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The amendments clarify, among others, how to account for deferred tax assets related to debt instruments measured at fair value.

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

Annual Improvements 2014-2016 Cycle "HKFRS 12 — Clarification of the scope"

The amendments clarify that except for the summarised financial information for subsidiaries, joint ventures and associates in which the interests are classified or included in a disposal group that is classified as held for sale in accordance with HKFRS 5, the requirements of HKFRS 12 apply to interests in entities within the scope of HKFRS 5.

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

2.4 NEW AND REVISED HKFRSs NOT YET ADOPTED

The Group has not applied the following new/revised HKFRSs that are relevant and have been issued but are not yet effective for the current year in the consolidated financial statements.

Annual Improvements to HKFRSs	*2014–2016 Cycle: HKFRS 1 and HKAS 28* [1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions* [1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [1]
HKFRS 9	*Financial Instruments* [1]
HKFRS 15	*Revenue from Contracts with Customers* [1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration* [1]
Annual Improvements to HKFRSs	*2015–2017 Cycle* [2]
HKFRS 16	*Leases* [2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [2]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures* [2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective date to be determined

The management of the Company is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that except for HKFRSs 9, 15 and 16 which are explained below, the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9, which will supersede HKAS 39 in its entirety, introduces new requirements on the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets.

The most significant change to be brought by HKFRS 9 to the Group is the requirements on impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The application of HKFRS 9 may result in earlier recognition of credit losses which are not yet incurred in respect of the Group's financial assets measured at amortised cost.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "*Revenue*", HKAS 11 "*Construction contracts*" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, by applying the following five steps:

a) Identify the contract(s) with a customer;

b) Identify the performance obligations in the contract(s);

c) Determine the transaction price, the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;

d) Allocate the transaction price to the performance obligations in the contract(s); and

e) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The adoption of this standard is not expected to have a significant impact on the measurement and recognition of revenue of the Group, but it may result in more disclosures.

HKFRS 16 "Leases"

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

The application of HKFRS 16 will result in recognition of right-of-use assets and lease liabilities for certain leases of the Group that are currently classified as operating leases under HKAS 17. Subsequently, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively. The total amount charged to profit or loss for each reporting period is not expected to be significantly different from the operating lease expense recognised under HKAS 17.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (2016: three) reportable operating segments:

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

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

(c) the trading segment which only includes the sale of amino acids of the GBT Group in the Huadong region.

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

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

Year ended 31 December 2017

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	**572,800**	**812,042**	**10,248**	**1,395,090**
Intersegment sales	**320,205**	**—**	**—**	**320,205**
	893,005	**812,042**	**10,248**	**1,715,295**
Reconciliation:				
Elimination of intersegment sales				**(320,205)**
Revenue				**1,395,090**
Segment results	**(35,618)**	**(41,508)**	**646**	**(76,480)**
Reconciliation:				
Unallocated bank interest and other corporate income				**178**
Corporate and other unallocated expenses				**(16,717)**
Finance costs				**(49,708)**
Loss before tax				**(142,727)**
Income tax credit				**2,469**
Loss for the year				**(140,258)**
Other segment information				
Capital expenditure	**6,624**	**82,683**	**—**	**89,307**
Depreciation	**26,578**	**34,878**	**—**	**61,456**
Amortisation of prepaid land lease payments	**3,721**	**3,327**	**—**	**7,048**
Loss on disposal of property, plant and equipment, net	**26**	**673**	**—**	**699**
Write-down (Reversal of write-down) of inventories, net	**470**	**(635)**	**—**	**(165)**
Impairment (Reversal of impairment) of trade and bills receivables, net	**349**	**(751)**	**3**	**(399)**
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	**(11,471)**	**699**	**28**	**(10,744)**

Year ended 31 December 2016

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	392,429	592,091	10,698	995,218
Intersegment sales	66,564	—	—	66,564
	458,993	592,091	10,698	1,061,782
Reconciliation:				
Elimination of intersegment sales				(66,564)
Revenue				995,218
Segment results	(207,272)	21,813	560	(184,899)
Reconciliation:				
Unallocated bank interest and other corporate income				7
Corporate and other unallocated expenses				(21,135)
Finance costs				(48,451)
Loss before tax				(254,478)
Income tax credit				92,120
Loss for the year				(162,358)
Other segment information				
Capital expenditure	804	51,740	—	52,544
Depreciation	13,808	25,147	—	38,955
Amortisation of prepaid land lease payments	3,764	3,165	—	6,929
Loss on disposal of property, plant and equipment, net	—	10	—	10
Reversal of impairment of property, plant and equipment	(83,066)	(55,871)	—	(138,937)
(Reversal of write-down) Write-down of inventories, net	(904)	34	—	(870)
Impairment of trade and bills receivables, net	913	2,271	—	3,184
Reversal of write-off of trade and bills receivables	—	(1,068)	—	(1,068)
Impairment of prepayments, deposits and other receivables, net	229,460	280	—	229,740

Geographical information

(a) Revenue information based on locations of customers

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**1,288,782**	903,976
Regions other than Mainland China	**106,308**	91,242
	1,395,090	995,218

(b) Non-current assets information based on locations of assets

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**1,048,535**	924,897

Information about major customers

There was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for the year ended 31 December 2017. (2016: Customer A from corn sweeteners segment of HK$137,743,000).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value (excluding the PRC value-added tax ("VAT")) of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,395,090**	995,218
Other income and gains		
Bank interest income	**788**	722
Net gains arising from sale of packing materials and by-products	**175**	537
Government grants *(Note)*	**2,532**	2,830
Amortisation of deferred income	**184**	186
Subcontracting income	**2,274**	4,955
Foreign exchange gain, net	**328**	1,905
Reversal of write-off of trade and bills receivables	**—**	1,068
Others	**3,702**	2,586
	9,983	14,789

Note: Government grants represent rewards to certain subsidiaries of the Company located in Mainland China with no further obligations and conditions to be complied with.

5. LOSS BEFORE TAX

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

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Employee benefit expenses (excluding Directors' remuneration)			
— Wages and salaries		**64,464**	58,722
— Pension scheme contributions		**23,889**	24,178
		88,353	82,900
Cost of inventories sold		**1,235,933**	884,060
Auditor's remuneration			
— Current year		**2,500**	3,500
— Under provision for prior year		**—**	241
Foreign exchange gain, net		**(328)**	(1,905)
Operating lease payments in respect of land and premises		**2,830**	2,956
Depreciation	*10*	**61,456**	38,955
Amortisation of prepaid land lease payments		**7,048**	6,929
Loss on disposal of property, plant and equipment, net		**699**	10
Reversal of impairment of property, plant and equipment	*10*	**—**	(138,937)
Reversal of write-down of inventories, net, included in cost of sales		**(165)**	(870)
(Reversal of impairment) Impairment of trade and bills receivables, net	*12*	**(399)**	3,184
Reversal of write-off of trade and bills receivables		**—**	(1,068)
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net		**(10,744)**	229,740
Corn subsidy, included in cost of sales		**(22,854)**	**(3,962)**

6. FINANCE COSTS

An analysis of finance costs of the Group is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**48,929**	47,810
Finance costs for discounting bills receivable	**779**	641
	49,708	48,451

7. INCOME TAX CREDIT

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016. The PRC enterprise income tax has been provided at the rate of 25% (2016: 25%) on the estimated assessable profits of subsidiaries operating in the PRC.

	2017	2016
	HK$'000	*HK$'000*
Current tax — The PRC enterprise income tax	**4,141**	1,574
Deferred tax — Origination and reversal of temporary differences, net	**(6,610)**	(93,694)
Income tax credit for the year	**(2,469)**	(92,120)

8. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$140,258,000 (2016: HK$162,358,000) and the weighted average number of ordinary shares in issue throughout the year of 1,527,586,000 shares (2016: 1,527,586,000 shares).

There were no potential dilutive ordinary shares outstanding during the year ended 31 December 2017. As the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the year ended 31 December 2016, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the year ended 31 December 2016. Therefore, the diluted loss per share was equal to the basic loss per share for the years ended 31 December 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	**2017** **HK$'000**	2016 HK$'000
At 1 January		**780,869**	408,312
Gain (Loss) on revaluation		**31,565**	(21,390)
Additions		**89,307**	52,544
Disposals		**(2,202)**	(10)
Reclassified from non-current assets held for sale		**—**	266,476
Reversal of impairment	*5*	**—**	138,937
Depreciation	*5*	**(61,456)**	(38,955)
Exchange realignment		**58,902**	(25,045)
At 31 December		**896,985**	780,869

11. GOODWILL

	2017 **HK$'000**	2016 HK$'000
Cost	**183,538**	183,538
Impairment	**(183,538)**	(183,538)
	—	—

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

12. TRADE AND BILLS RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade receivables	**221,907**	241,937
Bills receivable	**6,307**	35,612
Impairment	**(91,234)**	(84,523)
	136,980	193,026

The Group normally grants credit terms of 30 to 90 days (2016: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in Mainland China which accounted for 36% (2016: 42%) of the total trade and bills receivables at 31 December 2017.

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**89,680**	**76,463**
1 to 2 months	**32,808**	**31,795**
2 to 3 months	**7,741**	**7,997**
Over 3 months	**6,751**	**76,771**
	136,980	**193,026**

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

		2017	2016
		HK$'000	*HK$'000*
At 1 January		**84,523**	87,300
Impairment losses recognised	*5*	**1,016**	3,731
Impairment losses reversed	*5*	**(1,415)**	(547)
Exchange realignment		**7,110**	(5,961)
At 31 December		**91,234**	84,523

The individually impaired trade and bills receivables were long outstanding and/or were related to customers that were in financial difficulties so they were considered unrecoverable.

Ageing analysis of the trade and bills receivables that were not considered to be impaired at the end of the reporting period, based on past due date, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Not past due	**134,805**	**145,188**
Less than 1 month past due	**644**	**169**
1 to 3 months past due	**1,277**	**250**
Over 3 months past due	**254**	**47,419**
	136,980	**193,026**

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

Receivables that were past due but not impaired were related to a number of independent customers that have a good track record with the Group. Based on past experience, the management of the Company considers 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

	2017 *HK$'000*	2016 *HK$'000*
Prepayments	**27,757**	21,451
Deposits and other debtors	**3,308**	18,386
VAT and other tax receivables	**27,077**	14,649
Current portion of prepaid land lease payments	**7,870**	7,258
Corn subsidy receivable	**—**	3,786
	66,012	65,530

14. TRADE AND BILLS PAYABLES

	2017 *HK$'000*	2016 HK$'000
Trade payables	**135,343**	140,697
Bills payable	**41,103**	—
	176,446	140,697

The Group normally obtains credit terms ranging from 30 to 90 days (2016: 30 to 90 days) from its suppliers.

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

	2017 *HK$'000*	2016 *HK$'000*
Within 1 month	**59,270**	33,853
1 to 2 months	**4,853**	2,485
2 to 3 months	**3,976**	513
Over 3 months	**108,347**	103,846
	176,446	140,697

15. SHARE CAPITAL

	2017	2016
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2016: 100,000,000,000) ordinary shares of HK$0.10 each	**10,000,000**	10,000,000
Issued and fully paid:		
1,527,586,000 (2016: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

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

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

(i) Financial guarantee contracts

As mentioned in note 2.2 to the consolidated financial statements, a subsidiary of the Company, together with certain fellow subsidiaries, had jointly provided corporate guarantees to a bank in connection with banking facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2016 and 2017 (the "Financial Guarantee Contracts"). In addition, the then ultimate holding entity and the ultimate holding entity of a major shareholder of the ultimate holding company of the Company provided confirmations in writing that they 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 "Confirmations"). The Financial Guarantee Contracts and the Confirmations were not recognised in the consolidated financial statements. As the management had not developed and applied an appropriate accounting policy for the Confirmations and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmations at 31 December 2016 and 2017 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2016 and 2017, 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 2017.

(ii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2017, the Group had net current liabilities and capital deficiency of HK$712.2 million and HK$123.0 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$140.3 million for the year ended 31 December 2017. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2017. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Company for the year ended 31 December 2016 was subject to the disclaimer of opinion of the Auditor in the independent auditor's report in the Company's annual report for the year ended 31 December 2016 ("2016 Annual Report"). Further to the management response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the 2016 Annual Report and the interim report of the Company for the six months ended 30 June 2017 (the "2017 Interim Report"), the management of the Company wishes to update the remedial measures taken or to be taken as follows, which have been considered and recommended by the Audit Committee after its critical review of the management's position:

1. Financial guarantee contracts

As detailed in the 2016 Annual Report, the Previous Supplier Guarantees were not recognised in the Group's consolidated financial statements for the year ended 31 December 2016 because the Group was unable to obtain reliable financial information of Dajincang starting from year 2010, for the professional valuer to conduct an accurate valuation. During the Year, as a result of similar difficulties encountered by the Group in 2016, no valuation could be proceeded for the Previous Supplier Guarantees.

As disclosed in the joint announcement of the Company and GBT dated 8 December 2017 and the circular of the Company dated 17 January 2018, the term of the Previous Supplier Guarantees had expired in September 2017 and the Former Supplier still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, the Former Supplier proposed to refinance the Previous Supplier Loan by entering into the new supplier loan agreements with BOC for the New Supplier Loan including among others, the Dihao New Supplier Guarantee. As a condition to the New Supplier Loan, the Dihao New Supplier Guarantee was granted by Dihao Foodstuff to BOC to guarantee the obligations of the Former Supplier under the New Supplier Loan. The amount drawn down by the Former Supplier as at 31 December 2017 and up to the date of this announcement amounted to RMB2.49 billion (31 December 2016: RMB2.49 billion).

While the Group continues to negotiate with BOC to release the Group from the Dihao New Supplier Guarantee, the Group and BOC have also explored other alternatives in case the Former Supplier fails to repay the New Supplier Loan which will consequently trigger the Group's obligations as the guarantor pursuant to the Dihao New Supplier Guarantee.

On 21 July 2017, the Group entered into a sale and purchase agreement (the "S&P Agreement") with GBT, for the sale of the entire equity interest in the Target Companies. Subject to the conditions set out in the S&P Agreement being fulfilled, upon the completion of the transaction which is expected to be on or before 16 July 2018, such financial uncertainties brought to the Group by the possible financial obligations under the Dihao New Supplier Guarantee would no longer exist upon Dihao Foodstuff ceasing to be a member of the Group. The assessment of the amount required to be recognised in respect of the Dihao New Supplier Guarantee in the consolidated financial statements of the Group as at 31 December 2018 will thus be unnecessary. However, the Auditor of the Company may be unable to determine whether any adjustments in respect of the Dihao New Supplier Guarantee as at 31 December 2017 were necessary, which may have a significant impact on the financial position of the Group as at 31 December 2017, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ending 31 December 2018.

2. Material uncertainty relating to going concern

With respect to the material uncertainty relating to the Group's ability to continue as a going concern, the Directors have expressed their views and outlined the steps that have been taken and to be taken to improve the Group's financial position in note 2.2 to the consolidated financial statements.

Dependent on the successful and favourable outcomes of the measures as set out in note 2.2 to the consolidated financial statements, the Board, including the Audit Committee is of the view that the Group will be able to continue as a going concern in foreseeable future, and that the relevant disclaimer opinion may not appear in the final results for the year of 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). In addition, the Group is the sole distributor of the GBT Group in the Huadong Region for the sale of lysine and other corn refined products.

BUSINESS REVIEW

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

During the Year, the continuous effort of the state government to stimulate economic growth and development has lifted the operating environment of the PRC. With respect to global corn market, according to the estimate from the USDA, global corn production for the year 2017/18 reaches 1,042 million MT (2016/2017: 1,076 million MT). International corn price dropped to 351 US cents per bushel (equivalent to RMB1,021 per MT) (31 December 2016: 425 US cents per bushel) by the end of the Year. In the PRC, corn harvest in 2017/18 decreased slightly to 216 million MT (2016/17: approximately 220 million MT). As disclosed in the Company's interim report for the six months ended 30 June 2016, in an official government document "Opinion on the implementation of the establishment of subsidy programme to corn producers"(關於建立玉米生產者補貼制度的實施意見) dated 19 June 2016, the State Government confirmed the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region, and the introduction of a direct subsidy programme in these provinces in the 2016/17 corn harvest season. The scheme has enabled the price of corn in China to be determined by market mechanisms. In addition, the provincial governments in northeast China introduced direct subsidies to qualified corn refiners which purchase local corn during the harvest months of 2016. The normalised corn price in China coupled with the corn purchase subsidies from provincial governments have enhanced the competitiveness of Chinese corn refined products and other downstream products since then and during the first half of the Year. However, the improved operating environment has attracted a number of suspended capacity to resume operation, which put pressure on the upstream market. On the other hand, with the expiry of the corn subsidies by the provincial governments in northeast China since May 2017, the cost of production has been driven up. As a result, the Group's upstream business for the second half of the Year was put under pressure.

As for the sugar market, increased global production has dragged down international sugar price from its peak of 23.90 US cents per pound (equivalent to RMB3,457 per MT) in 2016 to 15.01 US cents per pound (equivalent to RMB2,223 per MT) by the end of the Year. In the PRC market, domestic sugar production increased by 1.2 million MT to 10.5 million MT in 2017/18 harvest, with expanded sugarbeet and sugarcane planting area. As a result, domestic sugar price dropped to RMB6,418 per MT (end of 2016: RMB6,752 per MT) by the end of the Year. The huge difference between international sugar price and domestic sugar price has increased the competitiveness of imported sugar. As such, the government has implemented a series of measures, including raising import tariff for sugar imports without quota from major supplying countries to protect cane sugar and beet sugar producers. Such measures are expected to uphold the domestic sugar price in year 2018.

After years of industry development, customers get accustomed to the user-friendliness of corn sweeteners. The substitution effect between sugar and sweeteners is no longer as prominent as it used to be. Sugar price fluctuation has become a reference point for the pricing of sweeteners. Although the decrease in sugar price had an impact on sweeteners prices, the demand for sweetener products has been stable. In addition, the market-driven raw material prices subsequent to the abolition of the state procurement of corn since the fourth quarter of 2016 has facilitated the development of a healthy corn sweeteners market. As such, the performance of the Group's downstream sweetener products remained relatively stable during the Year.

Notwithstanding the fact that 2017 was still a year filled with challenges, the overall operating environment during the Year has improved. The Group will continue to strengthen its market position leveraging on its brand name and further improve cost effectiveness through continuous research and development efforts to lower operating costs, at the same time optimising utilisation rate to improve operation efficiency.

FINANCIAL PERFORMANCE

With the increase in operation efficiency in Jinzhou and completion of first phase of the relocation in Xinglongshan, Changchun, the PRC, the sales volume of the Group increased by 52.8% during the Year. As a result, the Group's consolidated revenue for the Year increased by 40.2% to approximately HK$1,395.1 million (2016: HK$995.2 million). Benefiting from the improved upstream market sentiment and the introduction of provincial corn purchase subsidy in Liaoning since the fourth quarter of 2016, the Group's gross profit for the Year increased by 48.1% to approximately HK$154.4 million (2016: HK$104.3 million) year-on-year. Nevertheless, with the expiry of the corn subsidy policy in May 2017, the cost of production has been driven up in the second half of 2017. As a result, the gross profit and gross profit margin for the second half of the Year decreased by 13.3% and 4.8 per cent points to HK$71.7 million and 9.0% respectively compared to HK$82.7 million and 13.8% for the six months ended 30 June 2017. The net loss for the second half of the Year increased by 62.2% to HK$86.8 million compared to HK$53.5 million for the six months ended 30 June 2017 and consequently, the Company recorded a net loss of HK$140.3 million (2016: HK$162.4 million) for the Year. The management has adopted a number of measures to improve financial performance and financial position of the Group, among others, the Group entered into a S&P Agreement with GBT in July 2017 to dispose of the Target Companies in Changchun in order to relieve the financial burden from relocation of the production facilities in Changchun and the Dihao New Supplier Guarantee. The Group also signed a corn purchasing agreement with Jiliang, a subsidiary of Nongtou, in May 2017 to ensure a stable supply of corn kernels.

Upstream products

(Sales amount: HK$572.8 million (2016: HK$392.4 million))
(Gross profit: HK$40.2 million (2016: HK$21.0 million))

No revenue from corn procurement was recorded during the Year (2016: HK$64.3 million) as a result of the suspension of corn trading business since February 2016.

With respect to the Group's corn refinery business, the improvement in operation efficiency in Jinzhou site for the Year has increased the sales volume of corn starch and other corn refined products to approximately 163,000 MT (2016: 99,000 MT) and 101,000 MT (2016: 40,000 MT) respectively, as well as their revenue to approximately HK$362.9 million (2016: HK$237.9 million) and HK$209.9 million (2016: HK$90.3 million) respectively. Internal consumption of corn starch was approximately 128,000 MT (2016: 28,000 MT), which was mainly used as the raw material for production in the Group's Jinzhou and Shanghai production sites.

Benefiting from the agricultural subsidies from the provincial government to qualified corn refiners since the fourth quarter of 2016 whereby the Group received subsidies in the amount of HK$22.9 million during the Year (2016: HK$4.0 million), and the lower raw material cost as a result of the PRC agricultural policy reform, the overall performance of the Group's upstream business improved during the Year. However, as the corn subsidy policy expired in May 2017, the cost of sales per MT increased by 18.1% while the average selling price per MT increased only by 7.8% in the second half of 2017, as compared to the six months ended 30 June 2017. As a result, the gross profit and gross profit margin for the second half of the Year decreased by 67.7% and 8.4 per cent points to HK$9.8 million and 3.2% respectively, as compared to HK$30.3 million and 11.6% for the six months ended 30 June 2017. During the Year, the gross profit and gross profit margin of the corn starch increased to approximately HK$46.2 million (2016: HK$20.2 million) and 12.7% (2016: 8.5%) respectively while the other corn refined products recorded a gross loss and gross loss margin of approximately HK$6.0 million (2016: gross profit HK$1 million) and 2.9% (2016: gross profit margin 1.0%) respectively.

The Group has been the sole distributor of the GBT Group for the sales and marketing of their upstream corn refined products in the Huadong Region since 2016. During the Year, the trading of GBT's upstream products amounted to HK$1.6 million (2016: 1.4 million).

Corn syrup

(Sales amount: HK$614.5 million (2016: HK$405.3 million))
(Gross profit: HK$95.8 million (2016: HK$66.9 million))

During the Year, revenue and gross profit of corn syrup increased by 51.6% and 43.2% to approximately HK$614.5 million (2016: HK$405.3 million) and HK$95.8 million (2016: HK$66.9 million) respectively. It was mainly attributable to the increase in sales volume by 68.6% to approximately 231,000 MT (2016: 137,000 MT) as a result of the resumption of Jinzhou production facilities since the last quarter of 2016 and the completion of first phase of relocation to Xinglongshan in April 2017. However, as the northeast China market has been primarily concentrated with low-margin industrial users and additional time was needed to re-establish the sales network subsequent to the resumption of Jinzhou production facilities and completion of first phase of the relocation, the gross profit margin of corn syrup decreased to 15.6% (2016: 16.5%) during the Year.

Corn syrup solid

(Sales amount: HK$197.6 million (2016: HK$186.8 million))
(Gross profit: HK$17.5 million (2016: HK$15.5 million))

No sales of crystallised glucose was recorded during the Year (2016: Nil) due to the suspension of relevant production. During the Year, the revenue and gross profit of maltodextrin increased by 5.8% and 12.9% to approximately HK$197.6 million (2016: HK$186.8 million) and HK$17.5 million (2016: HK$15.5 million) respectively. Such increase was mainly attributable to the increase in sales volume of corn syrup solid by approximately 12.2% to 83,000 MT (2016: 74,000 MT) as a result of the resumption of Jinzhou production facilities since the last quarter of 2016. The gross profit margin of maltodextrin was 8.9% (2016: 8.3%).

Trading

(Sales amount: HK$10.2 million (2016: HK$10.7 million))
(Gross profit: HK$0.9 million (2016: HK$0.9 million))

The Group has entered into a master sales agreement with the GBT Group for the marketing and sale of the lysine and other corn refined products of the GBT Group in the Huadong Region. Results of trading of corn starch and other corn refined products are included in the financial results of upstream products. Results of the trading segment includes only those of amino acids.

The trading segment recorded a gross profit of approximately HK$0.9 million (2016: HK$0.9 million) with a gross profit margin of 9.0% (2016: 8.4%). The sale of lysine and other corn refined products has created synergistic effects to the Group's business and allowed the Group to offer better product mix to its customers.

Export sales

During the Year, the Group exported approximately 51,000 MT (2016: 46,000 MT) of upstream corn refined products and approximately 4,000 MT (2016: 2,000 MT) of corn sweeteners; their export sales amounted to approximately HK$94.2 million (2016: HK$86.2 million) and HK$12.1 million (2016: HK$5.1 million) respectively, together representing 7.6% (2016: 9.2%) of the Group's total revenue.

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

Other income and gains

During the Year, other income of the Group decreased to HK$9.9 million (2016: HK$14.8 million). Such decrease was mainly attributable to the decrease in subcontracting income.

Selling and distribution costs

During the Year, selling and distribution costs increased by 60.4% to approximately HK$134.7 million (2016: HK$84.0 million), representing 9.7% (2016: 8.4%) of the Group's revenue. Such increase was mainly attributable to the increase in the Group's sales volume by 52.6% as a result of the increase in operation efficiency in Jinzhou and completion of first phase of the relocation in Xinglongshan.

Administrative expenses

During the Year, administrative expenses decreased by 10.8% to approximately HK$102.8 million (2016: HK$115.3 million), representing 7.4% (2016: 11.6%) of the Group's revenue. Such decrease was a result of effective cost control policy of the Group.

Reversal of impairment of property, plant and equipment

In 2016, the Company has engaged a professional valuer to perform a valuation to assess the impairment on certain subsidiaries, machineries in Jinzhou and Changchun. As such, a reversal of impairment of property, plant and equipment amounting to HK$138.9 million was recognised for 2016, no such reversal of impairment was recognised during the Year.

Reversal of Impairment (Impairment) of prepayments, deposits and other receivables, net

During the Year, the Group recorded a reversal of impairment of prepayments of HK$10.7 million, however, in 2016, there was impairment of prepayments, deposits and other receivables of HK$229.7 million, which was mainly attributable to the impairment loss on the outstanding balance of the receivable from Dajincang, no such impairment was recognised during the Year.

Other expenses

Other expenses of the Group remained at approximately HK$31.0 million (2016: HK$31.8 million) during the Year. These expenses included expenses reallocated from cost of sales, such as depreciation and direct labour cost as a result of the idle capacity in Jinzhou and Changchun production facilities due to the low utilisation rate.

Finance costs

During the Year, finance costs of the Group increased to approximately HK$49.7 million (2016: HK$48.5 million) as a result of the increase in bank borrowings of HK$239.8 million in Changchun.

Income tax credit

Due to the reversal of temporary differences, the Group recorded a deferred tax credit of approximately HK$6.6 million (2016: HK$93.7 million) during the Year, meanwhile, certain subsidiaries of the Company in the PRC generated net profit and the PRC income tax expense amounting to approximately HK$4.1 million was provided for the Year (2016: HK$1.6 million). As a result, the Group recorded income tax credit of approximately HK$2.5 million during the Year (2016: HK$92.1 million).

Net loss attributable to shareholders

As a result of the improved operating environment, the Group's net loss was narrowed to approximately HK$140.3 million (2016: HK$162.4 million) during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2017 increased by approximately HK$319.2 million to approximately HK$1,127.5 million (31 December 2016: HK$808.3 million). The change in total borrowings was mainly attributable to an increment of approximately HK$79.7 million as a result of exchange rate adjustment as at 31 December 2017 and increment in interest-bearing bank borrowings in Changchun amounted to HK$239.8 million. However, cash and bank balances and pledged deposits as at 31 December 2017 increased only by HK$97.8 million to approximately HK$214.8 million (31 December 2016: HK$117.0 million). As such, the net borrowings increased to approximately HK$912.7 million (31 December 2016: HK$691.3 million).

Structure of interest bearing borrowings and net borrowing position

As at 31 December 2017, the Group's bank borrowings amounted to approximately HK$1,127.5 million (31 December 2016: HK$808.3 million), all of which (31 December 2016: 100.0%) was denominated in Renminbi. The average interest rate during the Year decreased to approximately 5.1% (2016: 5.8%) per annum as a result of the decrease in the PRC interest rate. The percentage of interest-bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were 63.1%, 36.9% and nil (31 December 2016: 75.3%, 24.7% and nil), respectively. As at 31 December 2017, all of the Group's bank borrowings are charged which reference to floating interest rate.

Considering the management's continuous efforts in monitoring the cash flow of the Group and in maintaining good relationship with banks, the Group has not experienced any difficulties in renewing the existing banking facilities as of the date of this announcement.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. Although the Group's revenue increased by 40.2% to approximately HK$1,395.1 million for the Year (2016: HK$995.2 million), trade and bills receivables as of 31 December 2017 decreased by 29.0% to approximately HK$137.0 million (31 December 2016: HK$193.0 million) as the Group had strengthened its credit control during the Year. As a result, the trade receivables turnover days decreased to 36 days (31 December 2016: 71 days).

During the Year, trade payables turnover days decreased to approximately 52 days (31 December 2016: 58 days) as part of the cash flow management.

As at 31 December 2017, the Group's inventory level increased by 50.6% to approximately HK$169.1 million (31 December 2016: HK$112.3 million) which was mainly attributable to the increase in utilisation rate of Jinzhou production facilities in 2017 and the completion of the sweetener production facility at the Xinglongshan site. Consequently, the inventory turnover days increased to approximately 50 days for the Year (31 December 2016: 46 days).

The current ratio as at 31 December 2017 increased to approximately 0.5 (31 December 2016: 0.4) and the quick ratio remain stables as 0.3 (31 December 2016: 0.3). Gearing ratio in terms of debts (i.e. total interest-bearing bank borrowings) to total equity/(deficit) and debts (i.e. aggregate total of shareholders equity/(deficit), non-controlling interests and total interest-bearing bank borrowings) was approximately 112.2% (31 December 2016: 98.5%).

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 7.6% of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange 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.

IMPORTANT TRANSACTIONS DURING THE YEAR AND EVENTS SUBSEQUENT TO THE YEAR UNDER REVIEW

Transfer of two subsidiaries in Changchun from the Group to the GBT Group

As announced by the Company on 21 July 2017, the Group entered into the S&P Agreement with the GBT Group for the disposal of the entire equity interest of the Target Companies (the "Transaction"). As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 25% but less than 75%, the Transaction constitutes a major transaction in relation to disposal of the Company under Rule 14.06 of the Listing Rules. Pursuant to the S&P Agreement, the GBT Group has conditionally agreed to purchase the Sale Interest. The consideration for the Sale Interest is HK$60,971,000 which shall be payable by the GBT Group at completion of the Transaction (the "Completion"). The consideration was determined after arm's length negotiations between the Group and the GBT Group with reference to the net asset value of the Target Companies and the fair value of the land and properties owned by the Target Companies in Luyuan District in Changchun City, Jilin Province, the PRC which is based on current use (i.e. industrial).

From the management perspective, the Target Companies are both situated in Changchun, the PRC where the major production facilities of the GBT Group are situated while all other production facilities of the Group are situated elsewhere in the PRC. As such, the Transaction would enable the Target Companies to be managed under the ambit of the GBT Group with other members of the GBT Group in Changchun, which could enhance the cost and operational efficiency, create potential synergies and reduce the connected transactions between the Group and the GBT Group. Completion is conditional upon fulfillment of certain conditions which are yet to be fulfilled and as additional time is required for the fulfillment of the conditions precedent, the Group and the GBT Group have agreed to extend the final date for fulfillment of the conditions to 16 July 2018 or such later date as the GBT Group and the Group may agree.

For details of the Transaction, please refer to the joint announcements of the Company and the GBT Group dated 21 July 2017 and 16 January 2018.

Provision of financial assistance to a former supplier

Reference is made to the announcement dated 8 December 2017 and the circular dated 17 January 2018 in relation to the provision of New Supplier Guarantees given by members of the GBT Group and the Group for the benefit of Dajincang. For more information, please refer to the section headed "Update on Remedial Measures – 1. Financial guarantee contracts" and "Disclosure Pursuant to Rule 13.20 of The Listing Rules" in this announcement.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Reference is made to the joint announcement of the Company and GBT dated 31 October 2016. Under the various loan agreements (the "Loan Agreements") entered into between Jinzhou Yuancheng Bio-chem Technology Co., Ltd.(錦州元成生化科技有限公司)("Jinzhou Yuancheng"), which is an indirect wholly owned subsidiary of the Company, and Jinzhou Branch of China Construction Bank(中國建設銀行股份有限公司錦州分行)(the "Lender") in respect of a 18-months fixed term loan in the aggregate principal amount of RMB224.0 million guaranteed by certain members of the Group (the "Loan"), Jinzhou Yuancheng is required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. On 25 August 2017, Jinzhou Yuancheng signed various renewal agreements to renew the Loan Agreements in aggregate principal amount of RMB218.0 million pursuant to which the due date of the Loan has been extended to September 2018. Based on the unaudited management accounts of Jinzhou Yuancheng for the six-month period ended 30 June 2017, Jinzhou Yuancheng has failed to fulfill certain financial covenants under the Loan Agreements. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions ("Cross Default") in other loan agreements entered into by the Group in the aggregate outstanding principal amount of RMB205.8 million. Save for the Cross Default, the breach has not resulted in any triggering of cross default provisions of other loan agreements and/or banking facilities entered into by the Group or the GBT Group.

The Group has yet to receive a waiver from the Lender for waiver of such breach. Despite the above non-compliance, the Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. The Group is also in the process of applying for relevant waivers from other lenders in relation to the breach of the cross default provisions. Further announcement(s) regarding the Loan and status of the waivers will be made as and when appropriate.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

As announced by the Company on 31 March 2015, financial guarantees were first granted by certain subsidiaries of the Company in respect of the indebtedness of Dajincang due to BOC during November 2010 to March 2015.

As disclosed in the joint announcement of the Company and GBT dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the previous loan advanced by BOC to Dajincang expired between August to November 2016. To avoid immediate demand for full repayment of the previous supplier loan by the guarantors or any of them pursuant to the previous supplier guarantees, new loan agreements were entered into by the Former Supplier and BOC, and fresh financial guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by Dihao Foodstuff and other members of the GBT Group to BOC to guarantee the obligations of the Former Supplier under the then supplier loan.

As disclosed in the joint announcement of the Company and GBT dated 8 December 2017 and the circular of the Company dated 17 January 2018, the term of the Previous Supplier Loan advanced by BOC to the Former Supplier under the Previous Supplier Loan Agreements expired in September 2017, and the Former Supplier still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, the Former Supplier proposes to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for the New Supplier Loan. Among others, the Dihao New Supplier Guarantee was granted by member of the Group to BOC to guarantee the obligations of the Former Supplier under the New Supplier Loan.

The maximum principal amount guaranteed under the Dihao New Supplier Guarantee is RMB2.5 billion, and as the assets ratio of the guarantee provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose the Dihao New Supplier Guarantee in its reports and annual reports during the relevant periods when the Dihao New Supplier Guarantee is in effect.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2017 Interim Report and the circulars of the Company dated 3 June 2016 and 21 March 2016, and the announcements of the Company dated 31 March 2014 and 31 March 2015, respectively, in relation to among others, the suspension and relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

The relocation plan of the Group will be financed by the Group's internal resources, and the management of the Company is of the view that the existing technology know-how of the Group is sufficient for the relocation of the production facilities.

The relocation of the 60,000 mtpa glucose/maltose production facilities and the 30,000 mtpa maltodextrin production facilities were completed in April 2017 and January 2018 respectively. In respect of the other relocation projects, in view of changes in operating environment, the Group is in the process of reviewing the relocation projects and revising the feasibility studies for submission to among others, the relevant government parties for approval. As such, the updated timeframe is revised as follows:

Products of the Group to which the production facilities relate	Production capacity of the relevant production facilities to be relocated (MT per annum)	Expected time for the relocation of production facilities
Glucose/maltose	60,000	Completed
Maltodextrin*	30,000	Completed
Crystallised glucose**	100,000	September 2018 — August 2019
Corn refinery**	600,000	January 2019 — December 2019

* Construction was completed in January 2018 and commenced trial run in the first quarter of 2018.

** The time frame of the projects are subject to the final decision of the management taking into account the relevant product markets and the obtaining of the approval from among others, the relevant government bodies on the feasibility studies. The timetable may thus change accordingly of which Group shall update its investors from time to time.

FUTURE PLANS AND PROSPECTS

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

In the short run, the Group will consolidate its resources towards the development of the Shanghai production base, leveraging on the synergistic effect with the Jinzhou production base for the supply of raw materials/sweeteners products to serve the respective Huadong market.

In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products.

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2017, the Group has approximately 1,120 (31 December 2016: 1,130) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2017.

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. Mr. Wang Jian was the chairman ("Chairman") and chief executive officer ("CEO") of the Company. On 23 March 2017, Mr. Wang Jian resigned as an executive Director and ceased to be the Chairman but remained as the CEO of the Company. Mr. Kong Zhanpeng has been appointed as the Chairman, as a result, the roles of Chairman and CEO are separate and exercised by different person.

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

AUDIT COMMITTEE

The Audit Committee of the Company was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee comprises three independent non-executive Directors namely Mr. Yuen Tsz Chun (the chairman of the committee), Mr. Ho Lic Ki and Mr. Lo Kwing Yu.

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

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

FULL DETAILS OF FINANCIAL INFORMATION

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

ANNUAL GENERAL MEETING

The 2017 annual general meeting ("AGM") of the Company will be held at Room 2, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on 21 May 2018 at 10:30 a.m.. Notice of the AGM will be published on the websites of the Company (www.global-sweeteners.com) and the Stock Exchange (www.hkexnews.hk), and will be dispatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 16 May 2018 to Monday, 21 May 2018, both days inclusive, during which period no transfer of shares will be registered, in order to determine the shareholders' entitlements to the attendance at the annual general meeting.

Shareholders are reminded that in order to qualify for the attendance at the AGM, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 15 May 2018.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's Auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

By order of the Board
Global Sweeteners Holdings Limited
Kong Zhanpeng
Chairman

Hong Kong, 26 March 2018

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