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 2017

FINANCIAL HIGHLIGHTS	2017	2016	Change %
Revenue (HK$'Mn)	**4,397**	3,883	13.2
Gross profit (HK$'Mn)	**609**	316	92.8
Loss for the year (HK$'Mn)	**(890)**	(1,912)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(837)**	(1,851)	N/A
Basic loss per share (HK cents)	**(13)**	(29)	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 2017 (the "Year"), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	4	**4,397,005**	3,882,840
Cost of sales		**(3,787,974)**	(3,567,018)
Gross profit		**609,031**	315,822
Other income and gains	4	**198,754**	187,116
Selling and distribution expenses		**(398,193)**	(296,578)
Administrative expenses		**(419,489)**	(347,562)
Other expenses		**(584,442)**	(1,500,062)
Finance costs	6	**(454,678)**	(441,118)
LOSS BEFORE TAX	5	**(1,049,017)**	(2,082,382)
Income tax credit	7	**158,759**	170,096
LOSS FOR THE YEAR		**(890,258)**	(1,912,286)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries		**(177,849)**	96,586
Items that will not be reclassified subsequently to profit or loss:			
Gain (Loss) on property revaluation		**540,726**	(20,633)
Income tax effect		**(135,076)**	8,190
		405,650	(12,443)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**227,801**	84,143
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(662,457)**	(1,828,143)

	Notes	**2017** **HK$'000**	2016 HK$'000
Loss attributable to:			
Owners of the Company		**(837,491)**	(1,850,640)
Non-controlling interests		**(52,767)**	(61,646)
		(890,258)	(1,912,286)
Total comprehensive loss attributable to:			
Owners of the Company		**(602,751)**	(1,657,297)
Non-controlling interests		**(59,706)**	(170,846)
		(662,457)	(1,828,143)
LOSS PER SHARE			
Basic	*9*	**HK$(0.13)**	HK$(0.29)
Diluted	*9*	**HK$(0.13)**	HK$(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**7,188,318**	6,390,498
Prepaid land lease payments		**620,865**	574,495
Deposits paid for acquisition of property, plant and equipment		**63,153**	50,310
Goodwill		**—**	—
Intangible assets		**5,358**	5,368
Interests in an associate		**—**	—
		7,877,694	7,020,671
Current assets			
Inventories	*10*	**592,465**	539,848
Trade and bills receivables	*11*	**517,402**	424,002
Prepayments, deposits and other receivables	*12*	**1,047,812**	878,224
Due from an associate		**17,142**	20,388
Pledged deposits	*13*	**406,209**	53,568
Cash and cash balances	*13*	**304,362**	896,487
		2,885,392	2,812,517
Current liabilities			
Trade and bills payables	*14*	**1,646,893**	1,543,439
Other payables and accruals	*15*	**1,915,400**	1,260,413
Current portion of interest-bearing bank and other borrowings		**4,861,642**	3,441,116
Tax payable		**176,952**	164,997
		8,600,887	6,409,965
Net current liabilities		**(5,715,495)**	(3,597,448)
Total assets less current liabilities		**2,162,199**	3,423,223

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Interest-bearing bank and other borrowings		**3,555,927**	4,191,332
Deferred income		**150,165**	147,114
Deferred tax liabilities		**9,561**	30,930
Convertible bonds		**913,070**	857,914
		4,628,723	5,227,290
NET LIABILITIES		**(2,466,524)**	(1,804,067)
Capital and reserves			
Share capital	*16*	**639,900**	639,900
Reserves		**(3,047,432)**	(2,444,681)
Deficit attributable to owners of the Company		**(2,407,532)**	(1,804,781)
Non-controlling interests		**(58,992)**	714
TOTAL DEFICIT		**(2,466,524)**	(1,804,067)

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 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.

2.1 BASIS OF PREPARATION

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

These consolidated financial statements have been prepared under the historical cost convention, except for certain property, plant and equipment which are measured at revalued amounts. 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$890.3 million (2016: HK$1,912.3 million) for the year ended 31 December 2017 and as at that date, had net current liabilities of approximately HK$5,715.5 million (31 December 2016: HK$3,597.4 million) and net liabilities of approximately HK$2,466.5 million (31 December 2016: HK$1,804.1 million). In addition, any potential liabilities or obligations arising from the New Supplier Guarantees (as defined in this announcement) 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:

(a) 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" or "China") 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 Province 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. Apart from that, 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.

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

Reference is made to the joint announcement of the Company and Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") 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 the GSH Group respectively (the "Property Disposal Agreements") in respect of the sale and purchase of pieces of land in Luyuan District, Changchun, the PRC and the buildings erected thereon (the "Relevant Properties"); and the asset disposal agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and 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 (the "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 (the "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 letter of intent from 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. Given the Potential Purchaser is a municipal government-owned enterprise, the management is prudently optimistic that the disposal will be materialised. During the Year, the discussion with the Potential Purchaser has been ongoing. If the disposal of the Relevant Properties is materialised, the Group will have additional funds to finance its operations and the capital expenditure for relocation of its production facilities in Changchun.

On 21 July 2017, a subsidiary of the Company entered into a sale and purchase agreement for the purchase of the entire equity interests in Changchun Dihao Crystal Sugar Industry Development Co. Ltd. and Changchun Dihao Foodstuff Development Co. Ltd., indirect wholly-owned subsidiaries of GSH (the "Target Companies") (the "Transaction"). Upon the completion of the Transaction, the Target Companies shall cease to be subsidiaries of GSH. As the Target Companies own part of the land which accounts for approximately one-fifth of the total site area of the land located in Luyuan District, it would be more efficient for the Group to be in charge of the valuation of the land, and the negotiation and execution of the land transfer as quicker decision-making process and less administrative hurdles are expected if only one party is involved. The management expects that the purchase of the Target Companies could help expedite the process of negotiation with the Potential Purchaser, as well as the process of completion of the disposal as it can be handled solely by the management of the Group without involving the management of the GSH Group.

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 relevant banks for the release of the guarantees and/or charges given by the relevant member of the GSH Group in respect of the indebtedness of Changchun Dihao Foodstuff Development Co. Ltd..

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

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

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

As announced by the Company on 2 March 2017, Jilin Agricultural Investment Group Co. Ltd. (吉林省農業投資集團有限公司, "Nongtou"), an entity controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Jilin Province, became an indirect major shareholder of the Company. The Group had received a written confirmation dated 6 March 2017 from Nongtou that it will provide financial support to the Group and the GSH Group in the next 24 months for their operation on a going concern basis and undertake all the liabilities that may arise from the financial guarantee contracts for the benefit of Dajincang. 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 lower the cost of raw materials. During the Year, the Group and the GSH Group purchased approximately 135,300 metric tonnes ("MT") of corn kernels from Jiliang which accounted for 8.9% of total corn procurement of the Group. In January 2018, one of the subsidiaries in Jinzhou, 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 in Jinzhou for the year 2018. At 31 December 2017, trade payables and other payables with Jiliang amounted to HK$114.3 million (31 December 2016: nil) and HK$481.0 million (31 December 2016: nil) respectively. The other payables are interest bearing at 10% per annum and interest on payables to Jiliang for the Year amounted to HK$30.6 million (2016: nil).

Nongtou, being a State-owned enterprise, was established in August 2016 and its unaudited net assets value amounted to RMB1,173.9 million at 31 December 2017 (31 December 2016: RMB460.8 million). It 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, 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 assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management and the development of the events as described above. Based on the measures as outlined above, the management is of the view that the Group would be able to generate sufficient funds to meet its 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 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 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	Share-based payment: 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) 22	Foreign currency transactions and advance consideration[1]
Annual Improvements to HKFRSs	2015-2017 Cycle[2]
HKFRS 16	Leases[2]
HK(IFRIC) 23	Uncertainty over income tax treatments[2]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[3]
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 Group 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 /reviewed 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. 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 corn sweeteners segment engages in the manufacture and sale of corn sweeteners, including glucose, maltose, high fructose corn syrup, crystallised glucose and maltodextrin; and

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

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.

(a) Segment results

Year ended 31 December 2017

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customers	**1,476,858**	**2,101,478**	**810,584**	**8,085**	—	**4,397,005**
Intersegment	**136,279**	—	**112,450**	—	**(248,729)**	—
Total revenue	**1,613,137**	**2,101,478**	**923,034**	**8,085**	**(248,729)**	**4,397,005**
Segment results	**(403,825)**	**(52,340)**	**(12,603)**	**(13,112)**	—	**(481,880)**
Bank interest income						**2,605**
Unallocated revenue						**38,347**
Unallocated expenses						**(153,411)**
Finance costs						**(454,678)**
Loss before tax						**(1,049,017)**
Income tax credit						**158,759**
Loss for the year						**(890,258)**

Year ended 31 December 2016

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customers	1,359,215	1,926,653	592,091	4,881	—	3,882,840
Intersegment	97,904	—	115,262	—	(213,166)	—
Total revenue	1,457,119	1,926,653	707,353	4,881	(213,166)	3,882,840
Segment results	(1,331,638)	(227,040)	21,813	(56,565)	—	(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)

(b) Other segment information

Year ended 31 December 2017

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Capital expenditure	**201,272**	**88,746**	**82,683**	**79**	**372,780**
Depreciation	**167,054**	**187,401**	**34,877**	**8,319**	**397,651**
Amortisation of prepaid land lease payments	**10,048**	**8,032**	**3,327**	**671**	**22,078**
Gain on disposal of prepaid land lease payments	**(67,219)**	**—**	**—**	**—**	**(67,219)**
(Gain) Loss on disposal of property, plant and equipment, net	**(253)**	**(817)**	**673**	**(20)**	**(417)**
Impairment of property, plant and equipment	**129,349**	**5,497**	**—**	**—**	**134,846**
Impairment (Reversal of impairment) of trade receivables, net	**2,494**	**43,748**	**(749)**	**182**	**45,675**
Write-down (Reversal of write-down) of inventories, net	**26,232**	**5,704**	**(635)**	**(24,233)**	**7,068**
Impairment of deposits paid for acquisition of property, plant and equipment	**1,687**	**89**	**—**	**—**	**1,776**
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	**(12,513)**	**(1,120)**	**727**	**(43)**	**(12,949)**

Year ended 31 December 2016

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Capital expenditure	52,015	16,038	51,740	4,472	124,265
Depreciation	261,104	182,012	25,147	5,599	473,862
Amortisation of prepaid land lease payments	11,162	8,120	3,165	671	23,118
(Gain) Loss on disposal of property, plant and equipment, net	—	(68)	10	—	(58)
Impairment (Reversal of impairment) of property, plant and equipment, net	190,248	(1,036)	(55,871)	3,504	136,845
(Reversal of impairment) Impairment of trade receivables, net	(20,582)	(41,082)	2,271	29,514	(29,879)
Write-off (Reversal of write-off) of trade receivables, net	—	6	(1,068)	—	(1,062)
Write-down (Reversal of write-down) of inventories, net	59,936	(11,420)	34	(6,749)	41,801
Impairment of deposits paid for acquisition of property, plant and equipment	338	21,048	—	12,545	33,931
Impairment of prepayments, deposits and other receivables	576,581	287,912	280	12,428	877,201

(c) Geographical information

Revenue information based on locations of customers

	2017 **HK$'000**	2016 *HK$'000*
Mainland China	**3,245,601**	2,930,606
Regions other than Mainland China	**1,151,404**	952,234
	4,397,005	3,882,840

Non-current assets information based on locations of assets

	2017 **HK$'000**	2016 *HK$'000*
Mainland China	**7,853,566**	6,997,291
Hong Kong	**24,128**	23,380
	7,877,694	7,020,671

(d) Information about major customers

No revenue from any customer individually amounted to 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016.

4. REVENUE, OTHER INCOME AND GAINS

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**4,397,005**	3,882,840
Other income and gains		
Bank interest income	**2,605**	1,160
Net gains from sale of packing materials and by-products	**—**	6,778
Government grants *(note)*	**77,217**	61,894
Reversal of impairment of trade receivables, net	**—**	29,879
Reversal of write-off of trade receivables, net	**—**	1,062
Reversal of impairment of prepayments, deposits and other receivables, net	**12,949**	—
Amortisation of deferred income	**10,077**	10,194
Gain on disposal of prepaid land lease payments	**67,219**	—
Gain on disposal of property, plant and equipment, net	**417**	58
Foreign exchange gain, net	**—**	36,230
Others	**28,270**	39,861
	198,754	187,116

Note: Government grants represented 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

This is stated after charging (crediting):

	2017	2016
	HK$'000	*HK$'000*
Employee benefits expenses including Directors' remuneration:		
Wages and salaries	**298,306**	278,928
Pension scheme contributions	**56,573**	47,359
	354,879	326,287
Cost of inventories sold	**3,690,351**	3,516,789
Depreciation	**397,651**	473,862
Amortisation of prepaid land lease payments	**22,078**	23,118
Auditor's remuneration	**6,200**	8,300
Impairment of property, plant and equipment, net	**134,846**	136,845
Loss on revaluation of property, plant and equipment, net	**2,870**	120,581
Impairment of deposits paid for acquisition of property, plant and equipment	**1,776**	33,931
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	**(12,949)**	877,201
Research and development costs	**10,567**	11,338
Impairment (Reversal of impairment) of trade receivables, net	**45,675**	(29,879)
Reversal of write-off of trade receivables, net	**—**	(1,062)
Gain on disposal of prepaid land lease payments	**(67,219)**	—
Gain on disposal of property, plant and equipment, net	**(417)**	(58)
Foreign exchange difference, net	**23,249**	(36,230)
Write down of inventories, net, included in cost of sales	**7,068**	41,801
Amortisation of deferred income	**(10,077)**	(10,194)
Amortisation of intangible assets	**15**	36
Corn subsidies, included in cost of sales	**(142,352)**	(135,644)

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**368,189**	387,819
Finance costs for discounted bills receivable	**778**	1,476
Interest on payables to Jiliang *(note 15 note (a))*	**30,555**	—
Imputed interest on convertible bonds	**55,156**	51,823
	454,678	441,118

7. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2017 and 2016. 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-Mainland China	**4,141**	1,584
Deferred tax	**(162,900)**	(171,680)
Income tax credit	**(158,759)**	(170,096)

8. DIVIDENDS

The Board 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 HK$837,491,000 (2016: HK$1,850,640,000), and the weighted average number of ordinary shares in issue during the Year of 6,398,998,360 (2016: 6,398,998,360) shares.

As the assumed conversion of the convertible bonds and the assumed exercise of the Company's outstanding share options have an anti-dilutive effect, the diluted loss per share was equal to the basic loss per share for the years ended 31 December 2017 and 2016.

10. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**387,980**	481,170
Finished goods	**204,485**	58,678
	592,465	539,848

11. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**915,290**	732,965
Bills receivable	**31,627**	47,371
Impairment	**(429,515)**	(356,334)
	517,402	424,002

The Group normally allows 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. Since 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 and the trade receivables are non-interest-bearing.

An 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	**321,131**	198,996
1 to 2 months	**131,801**	48,990
2 to 3 months	**53,886**	47,747
3 to 6 months	**8,856**	41,737
Over 6 months	**1,728**	86,532
	517,402	424,002

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

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**356,334**	408,252
Impairment losses recognised	**50,131**	51,505
Impairment losses reversed	**(4,456)**	(81,384)
Exchange realignment	**27,506**	(22,039)
At 31 December	**429,515**	356,334

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.

An 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*
Neither past due nor impaired	**496,264**	325,232
Less than 1 month past due	**13,998**	3,934
1 to 3 months past due	**6,797**	15,305
Over 3 months past due	**343**	79,531
	517,402	424,002

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 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.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**212,043**	161,187
Deposits and other debtors	**41,301**	50,020
PRC value-added tax and other tax receivables	**264,880**	222,573
Receivables from disposal of assets *(note)*	**529,588**	444,444
	1,047,812	878,224

Note: Included in the receivables from disposal of assets was the remaining consideration receivable from a government bureau in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land located in Luyuan District in Changchun during the year ended 31 December 2014, which amounted to HK$481,928,000 (2016: HK$444,444,000) at 31 December 2017. The Group is currently in discussion with the Potential Purchaser on the disposal of the Relevant Properties, and the transfer of the receivable to the Potential Purchaser is part of the discussion. For details please refer to point 3 of "update on Remedial Measures" on p.25 of this announcement.

13. CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	**304,362**	896,487
Guarantee/Time deposits	**406,209**	53,568
	710,571	950,055
Less: pledged deposits for issuance of bills payable	**(406,209)**	(53,568)
Cash and cash equivalents	**304,362**	896,487

At the end of the reporting period, the cash and bank balances and guarantee/time deposits of the Group denominated in Renminbi ("RMB") amounted to HK$553,436,000 (2016: HK$298,798,000). RMB held by subsidiaries in the PRC 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 from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and guarantee/time deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE AND BILLS PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables		
— To third parties	**1,155,008**	1,253,421
— To Jiliang	**114,271**	—
	1,269,279	1,253,421
Bills payable	**377,614**	290,018
	1,646,893	1,543,439

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

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:

	2017 *HK$'000*	2016 *HK$'000*
Within 1 month	**488,446**	322,270
1 to 2 months	**111,137**	27,012
2 to 3 months	**139,354**	18,357
Over 3 months	**907,956**	1,175,800
	1,646,893	1,543,439

15. OTHER PAYABLES AND ACCRUALS

	2017 *HK$'000*	2016 *HK$'000*
Payables for purchases of machinery	**164,023**	167,498
Customer deposits and receipts in advance	**238,479**	217,797
Payables to a related party *(note (a))*	**481,043**	—
Accruals	**296,366**	255,739
VAT and other duties payable	**135,889**	101,755
Advance received for relocation *(note (b))*	**216,867**	200,000
Others	**382,733**	317,624
	1,915,400	1,260,413

Note (a): The payables to a related party represent advances from Jiliang which are unsecured, bear interest at 10% per annum and are repayable on demand.

Note (b): The balance represents an advance from an independent third party, received through a government bureau in 2015, for relocation of the Group's production facilities in Changchun. The amount is repayable upon completion of the relocation.

16. SHARE CAPITAL

	2017 *HK$'000*	2016 *HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.1 each	**2,000,000**	2,000,000
Issued and fully paid:		
6,398,998,360 ordinary shares of HK$0.1 each	**639,900**	639,900

EXTRACT OF 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

As a result of similar limitations of audit scope as mentioned in (i) and (ii) below, in addition to other matters mentioned therein, a disclaimer of opinion was expressed by the predecessor auditor in their report dated 29 March 2017 on the consolidated financial statements of the Group for the year ended 31 December 2016.

(i) Financial guarantee contracts

As mentioned in note 2.2 to the consolidated financial statements, 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 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 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$5,715.5 million and HK$2,466.5 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$890.3 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.

(iii) Prepayments, deposits and other receivables

Included in the Group's prepayments, deposits and other receivables at 31 December 2017 was the remaining consideration receivable from a government bureau of HK$481.9 million in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land during the year ended 31 December 2014. We were unable to obtain sufficient appropriate audit evidence on the recoverability of the receivable. Therefore, we were unable to determine whether any adjustments to the receivable at 31 December 2017 were necessary, which may have a significant impact on the financial position of the Group 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 ended 31 December 2017.

(iv) Other payables and accruals

Included in the Group's other payables and accruals at 31 December 2017 was an advance from an independent third party, received through a government bureau in 2015, of HK$216.9 million for relocation of the Group's production facilities in Changchun. We were unable to obtain direct confirmation or sufficient appropriate audit evidence by performing alternative procedures to verify the balance of the advance at 31 December 2017. Therefore, we were unable to determine whether any adjustments to the advance at 31 December 2017 were necessary, which may have a significant impact on the financial position of the Group 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 ended 31 December 2017.

UPDATE ON REMEDIAL MEASURES

The financial statements for the year ended 31 December 2016 had been subject to the disclaimer of opinion of the then auditor of the Company as detailed 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 Company's interim report for the six months ended 30 June 2017, the management of the Company wishes to provide the latest update on the relevant 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 financial guarantee contracts ("Previous Supplier Guarantees") given by members of 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") were not recognised in the Group's consolidated financial statements for the year ended 31 December 2016 because the professional valuer could not proceed with the valuation, as the Company was unable to obtain reliable financial information of the Former Supplier for 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 GSH dated 8 December 2017 and the circular of the Company dated 29 December 2017, the term of 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 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 proposes to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for all indebtedness due and owing to BOC ("New Supplier Loan"). As a condition to the New Supplier Loan, new supplier guarantees ("New Supplier Guarantees") were granted by certain subsidiaries of the Company 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). During the Year, the Group paid HK$154.9 million (2016: nil) for the repayment of finance costs to BOC pursuant to the Previous Supplier Guarantees, which was included in other expenses for the Year.

While the Group continues to negotiate with BOC to release the Group from the New Supplier Guarantees, 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 guarantors pursuant to the New Supplier Guarantees.

2. Material uncertainty related to going concern

As detailed in the 2016 Annual Report, the then auditor of the Company has raised fundamental uncertainties relating to the going concern of the Group, and the management has taken and will take steps as outlined in note 2.2 to the consolidated financial statements to improve the Group's financial position.

Dependent on the successful and favourable outcomes of the steps being taken as described 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. Please refer to note 2.2 to the consolidated financial statements for details.

3. Prepayments, deposits and other receivables

Reference is made to the circular of the Company dated 7 May 2014 in relation to, among others, the resumption of certain buildings, machineries and fixtures erected on a piece of land in Changchun, the PRC (collectively "Xihuancheng Assets") by the 長春市土地儲備中心 (Changchun Land Reserve Centre) ("Land Reserve Centre"). Pursuant to the relevant agreements as detailed in the aforementioned circular, the Group shall receive an aggregate compensation of RMB719 million from the Land Reserve Centre for the resumption of the Xihuancheng Assets. As at 31 December 2017, a receivable from the Land Reserve Centre amounting to RMB400 million was still outstanding. The Auditor was unable to obtain sufficient appropriate audit evidence on the recoverability of the receivable. As such, the Auditor was unable to determine whether any adjustments to the receivable as at 31 December 2017 were necessary.

Based on the understanding of the management of the Company, the outstanding receivable of RMB400 million is recoverable but is subject to the completion of sale and purchase of the Relevant Properties with the Potential Purchaser, which is a municipal government-owned enterprise, as the Potential Purchaser shall facilitate the repayment of the receivables of RMB 400 million. As such, the management of the Company has been actively negotiating with the Potential Purchaser in respect of the sale and purchase of the Relevant Properties including the arrangement of the repayment of the receivables of RMB400 million. Upon the materialisation of the disposal of the Relevant Properties to the Potential Purchaser, it is expected that the Group will receive the outstanding receivable of RMB400 million (equivalent to approximately HK$482 million) accordingly.

4. **Other payables and accruals**

As detailed in the announcement of the Company dated 7 January 2014, the proposed resumption of land was initiated by the local government to encourage industrial companies to move their factories away from the central districts of the city. It was thus the aim of the Land Reserve Centre to facilitate the completion of the sale and purchase of the Relevant Properties. As such, the Land Reserve Centre, with the assistance of the Changchun Municipal Government, has introduced the Potential Purchaser to participate in the resumption of Relevant Properties. As the relocation of the Group's production facilities was a condition precedent to the resumption of land and that the relocation projects are capital intensive, the Potential Purchaser then agreed to advance funding in the form of bridging loan to facilitate the relocation of the Group's production facilities, which was paid via the Changchun Municipal Government according to the progress of the relocation. Such loan would be deducted from the proceeds of the sale of Relevant Properties subsequent to the completion of the sale.

Such bridging loan of RMB180.0 million (equivalent to HK$216.9 million) was received by the Group in May and August 2015 from the Changchun Municipal Government directly. The amount was subsequently recorded as other payables and accruals in financial statements of the Group in 2015. Since the bridging loan was received from the Changchun Municipal Government but not the Potential Purchaser. As such, the Auditor was unable to obtain direct confirmation from the Potential Purchaser or any sufficient appropriate evidence to verify the balance of the advance at 31 December 2017.

Similar to the view as outlined in point (3) above, the management of the Company is of the view that such other payables and accruals would be settled upon the materialisation of the disposal of the Relevant Properties to the Potential Purchaser.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals. 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, the continuous effort of the State Government to stimulate economic growth and development has lifted the overall operating environment in the PRC. Domestic demand has been recovering in a slow but steady pace.

Global corn production for the year 2017/18 is estimated at 1,042 million MT, down from the record high of 1,076 million MT in 2016/17, according to the estimates from the U.S. Department of Agriculture. Due to ample supply in the market as a result of good harvest and high ending stocks, the international corn price dropped to 351 US cents per bushel (equivalent to RMB1,021 per MT) (end of 2016: 425 US cents per bushel) by the end of the Year. In the PRC, corn production in 2017/18 dropped slightly to 216 million MT (2016/17: approximately 220 million MT), with average market price maintained at approximately RMB1,777 per MT (end of 2016: RMB1,735 per MT) by the end of 2017. As disclosed in the Company's interim report for the six months ended 30 June 2016 ("2016 Interim Report"), in an official government document "Opinion on the implementation of the establishment of subsidy programme to corn producers"(關於建立玉米生產者補貼制度的實施意見) dated 19 June 2016, the State Government confirmed the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region, and the introduction of direct subsidy programme in these provinces in 2016/17 corn harvest season. As a result, corn price in China was able to be determined by market mechanisms. 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$142.4 million of subsidies for the purchase of corn kernels – the added cost advantage has contributed to the turnaround of the Group's upstream business for the Year. However, the improved operating environment has attracted a number of suspended capacities 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.

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 supply and demand 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. Nevertheless, the expiry of the provincial corn purchase subsidies in May 2017 had an impact on the performance of the Group's amino acids business during the second half of the Year. The Group will continue to closely monitor market changes and adjust its product mix and optimise utilisation of production facilities to ensure the healthy operation of the amino acids segment.

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. Years of industry development has get customers 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. As such, the performance of the Group's corn sweetener products remained stable during the 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 a prudent approach before resuming its polyol chemical business.

As compared to the previous year, the overall operating environment has improved during the Year. The Group will continue to strengthen its market position with its brand name and customer relationship management, further improve cost effectiveness through continuous research and development efforts, and at the same time, optimise utilisation rate to achieve operation efficiency in response to market moves. Internally, the Group is backed by its ultimate shareholder with State-owned enterprise background. Leveraging on the synergies as a result of the introduction and participation of the resourceful shareholder, the Group has been well-supported with strong financial support, enhanced relationship with bankers, favourable government policies and management capabilities. The synergistic effects have been reflected in the Company's improved performance for the Year.

FINANCIAL PERFORMANCE

The consolidated revenue of the Group for the Year increased by approximately 13.2% to approximately HK$4,397.0 million (2016: HK$3,882.8 million), which was mainly attributable to the increase in sale volume by 18.3% as a result of the enhanced operation efficiency in upstream segment and completion of first phase of relocation of corn sweeteners segment. As such, together with the corn subsidies entitled to the Group during the Year amounted to HK$142.4 million, the Group's gross profit and gross profit margin increased by 92.8% and 5.8 per cent points to approximately HK$609.0 million (2016: HK$315.8 million) and 13.9% (2016: 8.1%) respectively. Despite the improved operation performance, due to the low utilisation rate of the Xinglongshan site and high debt level of the Group, the Company recorded a net loss of HK$890.3 million (2016: HK$1,912.3 million) for the Year. Nevertheless due to (1) the increase in cost of sales per MT by 9.6% in the second half of 2017 subsequent to the expiry of the provincial corn subsidy policy in May 2017, with the average selling price remained at similar level; 2) impairment on property, plant and equipment of HK$134.8 million; 3) impairment on trade receivables and inventories of HK$52.6 million; and 4) increase in other expenses of HK$154.9 million in relation to the repayment of finance costs to BOC pursuant to the Previous Supplier Guarantees for the second half of the Year; as a result, the net loss for the second half of the Year amounted to HK$557.3 million, representing an increase of 67.4% when compared to the first half of the Year and the Group recorded LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of HK$259.6 million for the second half of Year as compared to EBITDA (i.e. earning before interest, taxation, depreciation and amortisation) of HK$85.0 million for the six months ended 30 June 2017. The gross profit and gross profit margin for the second half of the Year decreased by 29.3% and HK$7.1 per cent points to HK$252.3 million and 10.6% (six months ended 30 June 2017: HK$356.7 million and 17.7%) respectively. To improve the financial performance and financial position of the Group, the management focuses its efforts in 1) actively negotiating with the Potential Purchaser to accelerate the disposal of the Relevant Properties in the Luyuan District Changchun; 2) screening and reviewing projects to relocate to the Xinglongshan site to optimise the operation efficiency in the Xinglongshan site; 3) securing the supply of raw material through collaboration with Jiliang, a subsidiary of Nongtou, by the entering of the corn procurement contracts.

Upstream products

(Sales amount: HK$1,476.9 million (2016: HK$1,359.2 million))
(Gross profit: HK109.8 million (2016: gross loss: HK$48.0 million))

During the Year, the revenue of the Group's upstream business increased by 8.7% to approximately HK$1,476.9 million (2016: HK$1,359.2 million) as a result of the improvement in operation efficiency in Xinglongshan and Jinzhou. As the agricultural reforms gradually took effect since the harvest of 2016, the Group's cost of raw materials for the Year has been substantially lowered. During the Year, the Group was entitled to approximately HK$142.4 million of corn subsidies. As a result, the Group's upstream business recorded a gross profit of approximately HK$109.8 million (2016: gross loss: HK$48.0 million) for the Year.

Sales volume of corn starch and other corn refined products were approximately 363,000 MT (2016: 306,000 MT) and 333,000 MT (2016: 304,000 MT) respectively. Internal consumption of corn starch was approximately 56,000 MT (2016: 68,000 MT), which was mainly used as raw material for the Group's downstream production.

The PRC agricultural reforms have enhanced the profitability of the upstream segment. As a result, the corn starch segment and other corn refined products segment recorded gross profit margins of 13.1% and 0.8% (2016: gross profit margins of 1.7% and gross loss margin of 9.2%) respectively for the Year.

In the second half of the Year, after the cessation of the corn subsidy policy in May 2017, the cost of sales per MT of corn starch and other corn refined products increased by 21.4% and 20.1% respectively when compared to the six months ended 30 June 2017 while the average selling price per MT increased only by 11.6% and 1.1% respectively. As such, the gross profit and gross profit margin of the corn starch segment for the second half of the Year decreased by 22.2% and 7.3 per cent points to approximately HK$45.5 million and 10.0% respectively (six months ended 30 June 2017: HK$58.6 million and 17.3%). Other corn refined products recorded a gross loss and gross loss margin of HK$26.2 million and 7.6% respectively for the second half of the Year compared to a gross profit and gross profit margin of HK$31.9 million and 9.5% respectively for the six months ended 30 June 2017. As a key agricultural product, the price of corn kernels depends a great deal on the direction of the state agriculture policy. Notwithstanding the possible fluctuations in the price of corn kernels, as the feedstock of the Group's downstream production, the upstream operation has strategic value to the Group's overall operation. As such, the management of the Group will continue their prudent approach in optimising its facilities utilisation and endeavour to control raw material cost in order to maintain healthy cash flows of the Group.

Amino acids

(Revenue: HK$2,101.5 million (2016: HK$1,926.7 million))
(Gross profit: HK$361.5 million (2016: HK$279.5 million))

The amino acids segment consists of lysine, protein lysine and threonine products. Revenue of this segment increased by 9.1% to approximately HK$2,101.5 million (2016: HK$1,926.7 million) during the Year, representing 47.8% (2016: 49.6%) of the Group's revenue. The sales volume of amino acids segment increased by 7.8% to 372,000 MT (2016: 345,000 MT). Benefiting from the cost savings resulting from lower raw material cost, the facility upgrade and the re-adjustment of product mix to suit market needs, the Group's amino acids segment recorded a gross profit of approximately HK$361.5 million (2016: HK$279.5 million) with a gross profit margin of 17.2% (2016: 14.5%) during the Year.

For the second half of 2017, the average selling price per MT of amino acids increased slightly by 1.6% while the cost of sales per MT raised by 10.3% when compared to the six months ended 30 June 2017. As a result, the gross profit and gross profit margin decreased by 26.7% and 6.7 per cent points to HK$152.9 million and 14.0% (six months ended 30 June 2017: HK$208.6 million and 20.7%) respectively. 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.

Corn sweeteners

(Revenue: HK$810.5 million (2016: HK$592.0 million))
(Gross profit: HK$130.1 million (2016: HK$80.4 million))

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

During the Year, the widened cost advantage of corn sweeteners over cane sugar in China has enhanced the competitiveness of corn sweeteners. Customers were increasingly convinced to switch from cane sugar to corn sweeteners. Coupled with the resumption of downstream production in the Group's Jinzhou sites since the last quarter of 2016 and completion of phase one relocation of the sweetener production facility to the Xinlongshan site since April 2017, sales volume of corn sweeteners increased by 47.4% to approximately 314,000 MT (2016: 213,000 MT), with revenue increased by 36.9% to approximately HK$810.5 million (2016: HK$592.0 million). As a result, the corn sweeteners segment recorded a gross profit of approximately HK$130.1 million (2016: HK$80.4 million) and a gross profit margin of 16.1% (2016: 13.6%).

Although significant gap exists between international and domestic sugar prices, as the government implemented a series of measures to discourage imports from major supplying countries and suppress illegal smuggling, the outlook on corn sweeteners remain positive for the year of 2018. With the improvement in operation efficiency of the Jinzhou downstream production and the completion of phase one relocation to the Xinglongshan site, the Group will gradually look at the possibility to increase its downstream production volume in Jinzhou. In January 2018, the relocation of the Group's maltodextrin production facility to the Xinglongshan site was completed and the trial run commenced in the first quarter of 2018. The Group will closely monitor market moves and adjust its production volume and product mix to serve customer needs.

Polyol chemicals

(Revenue: HK$8.1 million (2016: HK$4.9 million))
(Gross profit: HK$7.6 million (2016: HK$3.9 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, resins, anti-freeze products, hydrogen and ammonia. The high corn price in the past years has lowered the competitiveness of corn based polyols as compared to traditional petroleum based polyols. As such, the Group had 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.

During the Year, due to the increase in the demand for anti-freeze products, the revenue of polyol chemicals segment increased by 65.3% to approximately HK$8.1 million (2016: HK$4.9 million). As substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years, the polyol chemicals segment recorded gross profit of approximately HK$7.6 million (2016: HK$3.9 million), with a gross profit margin of 93.8% (2016: 79.6%).

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

Export sales

During the Year, export sales accounted for 26.2% (2016: 24.5%) of the Group's total revenue. The export sales of upstream products, amino acids and corn sweeteners increased by 39.8%, 17.7%, and 137.3% respectively to approximately HK$158.3 million (2016: HK$113.2 million), HK$980.9 million (2016: HK$833.5 million), and HK$12.1 million (2016: HK$5.1 million) respectively during the Year. Such increase was attributable to the increase in export sales volume by 52.5%, 18.9% and 150.0% of upstream corn refined products, amino acids and corn sweeteners to approximately 90,000 MT (2016: 59,000 MT), 151,000 MT (2016: 127,000 MT), and 5,000MT (2016: 2,000 MT) respectively as a result of enhancement in operation efficiency in the upstream and amino acids segments, and the completion of the relocation of the sweeteners production facilities. Export sales of polyol chemicals for the Year amounted to approximately HK$0.1 million (2016: HK$0.4 million).

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

Other income and gains

During the Year, other income and gains increased by 6.3% to approximately HK$198.8 million (2016: HK$187.1 million) Such increase was mainly attributable to the increase in gain on disposal of property, plant and equipment and prepaid land lease payments, which amounted to approximately HK$67.6 million (2016: HK$0.1 million); and government grant of approximately HK$77.2 million (2016: HK$61.9 million).

Selling and distribution expenses

During the Year, the selling and distribution expenses accounted for 9.1% (2016: 7.6%) of the Group's revenue, representing an increase of 34.3% to approximately HK$398.2 million (2016: HK$296.6 million). Such increase was mainly attributable to the increase in sales volume by 18.3% as a result of the enhanced operation efficiency in upstream and completion of first phase of relocation of corn sweeteners.

Administrative expenses

During the Year, administrative expenses increased by 20.7% to approximately HK$419.5 million (2016: HK$347.6 million), representing 9.5% (2016: 9.0%) of the Group's revenue. Such increase was mainly attributable to the expenses in relation to exchange losses resulting from inter-company fund transfer and the expenses in relation to the settlement of litigations during the Year.

Other expenses

During the Year, other expenses decreased by 61.0% to HK$584.4 million (2016: HK$1,500.1 million), which mainly consists of expenses in relation to idle capacity of certain production facilities of the Group which amounted to HK$211.7 million, impairment of property, plant and equipment of HK$134.9 million, impairment of trade receivables of HK$45.7 million and payment of HK$154.9 million for the repayment of finance costs to BOC pursuant to the Previous Supplier Guarantees. Such decrease was mainly attributable to one-off expenses in 2016 including impairment of property, plant and equipment in certain PRC subsidiaries and impairment of trade and other receivable in relation to Dajincang amounted to HK$136.8 million and HK$802.3 million respectively.

Finance costs

During the Year, finance costs of the Group increased by 3.1% to approximately HK$454.7 million (2016: HK$441.1 million) which was mainly attributable to the increase in interest on payables to Jiliang amounted to HK$30.6 million (2016: nil).

Income tax credit

Due to the recognition of temporary differences, the Group recorded a deferred tax credit of approximately HK$162.9 million (2016: HK$171.7 million) during the Year. Meanwhile, certain subsidiaries in the PRC generated net profit so PRC enterprise income tax of approximately HK$4.1 million (2016: HK$1.6 million) was recognised. As a result, the Group recorded income tax credit of approximately HK$158.8 million (2016: HK$170.1 million) during the Year.

Loss shared by non-controlling shareholders

During the Year, GSH and other non-wholly-owned subsidiaries recorded a loss of approximately HK$135.0 million (2016: HK$166.5 million), leading to loss shared by the non-controlling shareholders amounted to approximately HK$52.8 million (2016: HK$61.6 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2017 increased by approximately HK$785.2 million to approximately HK$8,417.6 million (31 December 2016: HK$7,632.4 million). The change in total borrowings included an increment of approximately HK$641.6 million as a result of exchange rate adjustment as at 31 December 2017. However, the cash and bank balances and pledged deposits as at 31 December 2017 decreased by approximately HK$239.5 million to approximately HK$710.6 million (31 December 2016: HK$950.1 million). As a result, the net borrowings increased to approximately HK$7,707.0 million (31 December 2016: HK$6,682.3 million).

Structure of interest-bearing borrowings

As at 31 December 2017, the Group's interest-bearing borrowings amounted to approximately HK$8,417.6 million (31 December 2016: HK$7,632.4 million), of which approximately 0.2% (31 December 2016: 0.3%) were denominated in Hong Kong dollars while the remaining (31 December 2016: 99.7%) were denominated in Renminbi. The average interest rate during the Year was approximately 5.0% (2016: 4.9%).

The percentage of interest-bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were 57.8%, 42.2% and nil (31 December 2016: 45.1%, 54.9% and nil), respectively. As at 31 December 2017, interest-bearing bank and other borrowings amounted to approximately RMB449.0 million (31 December 2016: RMB69.5 million) has been charged at fixed interest rates ranging from 3.9% to 8.0% (31 December 2016: 8.9%) for terms from one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings are charged with reference to floating interest rate.

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 2017, the Convertible Bonds was divided into liability component and equity component which amounted to HK$913.1 million and HK$290.6 million (31 December 2016: HK$857.9 million and HK$290.6 million) respectively and effective imputed interest of HK$55.2 million (2016: HK$51.8 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. After enhancement in operation efficiency of upstream segment and completion of relocation of corn sweeteners segment in Changchun, longer credit terms were granted to new customers. As a result, trade receivables turnover days increased to approximately 43 days (31 December 2016: 40 days). Meanwhile, the Group has been actively negotiating with creditors on repayment plans mutually-agreed among the parties as part of cash flow management, therefore, the trade creditor's turnover days slightly decreased to at approximately 154 days (31 December 2016: 156 days). As the Group's inventory increased by 9.7% to HK$592.5 million (31 December 2016: HK$540.0 million), the inventory turnover days increased to 57 days (31 December 2016: 55 days).

As at 31 December 2017, the current ratio and quick ratio of the Group slightly decreased to 0.3 (31 December 2016: 0.4) and 0.3 (31 December 2016: 0.4) respectively, which was mainly due to the increase in current portion of interest bearing bank and other borrowing by approximately HK$1,420.5 million. In addition, the Group has recorded a net loss for the year of HK$890.3 million (2016: HK$1,912.3 million), leading to the recorded net liabilities of HK$2,466.5 million (2016:

HK$1,804.1 million). As a result, gearing ratio in term of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) was 141.4% (31 December 2016: 131.0%). To improve the financial position of the Group, the Company has adopted several strategic actions as mentioned in the section headed "Basis of Preparation" on pages 6 to 8 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 26.2% 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 and the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

LITIGATIONS

Litigation in relation to patent infringement

Pursuant to the announcement of the Company on 30 June 2017, the Company and the Relevant Group Members entered into a settlement agreement ("Settlement Agreement") with Ajinomoto on 29 June 2017, pursuant to which, as soon as possible after receipt by Ajinomoto of a payment from the Group ("Payment"), Ajinomoto and the Group will withdraw all pending proceedings in Europe relating to the alleged infringement by the group of certain patents and violation of trade secrets.

Considering the above litigations had lingered for years, the Board considered that settlement of such litigations would allow the Group to concentrate efforts and resources in the business development of the Group. The Group settled the Payment by internal resources and the Board considers that there is no material impact on its financial position as a result of the entering into the Settlement Agreement and settlement of the Payment.

In August 2017, all the litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. against the relevant members of the Group had been withdrawn.

Litigation in relation to dispute on the interests in the Company

As at the date of this announcement, the Company was a defendant in a high court action in Hong Kong. A writ dated 28 November 2017 was issued by the Plaintiff and a statement of claim was filed on 8 December 2017 (the "Claim"). The Claim relates to, among others, a document dated 29 November 2011 alleged by the Plaintiff to have been signed by and on behalf of the Company. The Plaintiff alleged that according to the said document, the Plaintiff should be entitled to certain interest in the Company's shares. The Plaintiff has claimed for damages in the amount of approximately HK$109 million, together with loss of dividends and interest in respect thereof, as well as costs and other relief.

A notice of intention to defend was given by the Company on 13 December 2017.

The Directors consider that the Claim to be fictitious and that the Company has strong ground to defend against the Claim, and no provision for the Claim is considered necessary. Save as disclosed above, as of the date of this announcement, there was no litigation or claims of material importance pending or threatened against any member of the Group.

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

Master Supply Agreement for the procurement of corn kernels

Reference is made to the announcement dated 15 May 2017 and the circular dated 14 June 2017, in relation to the entering into of a master supply agreement (the "Master Supply Agreement") by the Company with Jiliang for the supply of corn kernels by Jiliang to members of the Group on an ongoing basis.

Pursuant to the Master Supply Agreement, the Company appointed Jiliang as one of its suppliers for corn kernels and Jiliang agrees to supply corn kernels to members of the Group. The Master Supply Agreement shall become effective from 3 July 2017, being the date of approval of the Master Supply Agreement by the Independent Shareholders at the extraordinary general meeting and expiring on 31 December 2019 with the right of either party to effect an earlier termination by giving to the other not less than three months' written notice.

Pursuant to the Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with Jiliang from time to time during the term of the Master Supply Agreement for the purposes of confirming the purchase of corn kernels by the relevant members of the Group. Such purchase orders or sales contracts shall specify the detailed terms of such purchase, including form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that such separate purchase orders or sales contracts shall be for a fixed term and in any event not exceeding the term of the Master Supply Agreement, payment must only be made after receipt of corn kernels, and at pricing terms and otherwise on terms in compliance with those set out in the Master Supply Agreement.

The Company expects that the annual caps in respect of the transactions contemplated under the Master Supply Agreement will be HK$1.40 billion, HK$1.68 billion and HK$2.09 billion for each of the three years ending 31 December 2019, respectively. The above annual caps have been determined by reference to the estimated demand of the Group for corn kernels as contemplated to be purchased under the Master Supply Agreement, taking into account the business growth of the Group, the historical and current prices of corn kernels in Changchun.

As Nongtou is interested in 49% of the entire issued share capital of the Company through its control in Jilin Province Modern Agricultural Industry Investment Fund, which indirectly holds the entire issued share capital of Modern Agricultural, Nongtou is a connected person of the Company. As Jiliang is indirectly wholly owned by Nongtou, Jiliang is an associate of Nongtou and therefore is also a connected person of the Company. Accordingly, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Master Supply Agreement and the related annual caps were approved by the shareholders by way of poll at the extraordinary general meeting held on 3 July 2017.

Transfer of two subsidiaries in Changchun from the GSH Group

As announced by the Company on 21 July 2017, the Group entered into a sale and purchase agreement (the "S&P Agreement") with the GSH Group for the acquisition (the "Transaction") by the Group of the entire equity interest (the "Sale Interest") of the Target Companies in Changchun. As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Group under Rule 14.06 of the Listing Rules. Pursuant to the S&P Agreement, the 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 Group at completion. The consideration was determined after arm's length negotiations between the Group and the GSH Group with reference to the net asset value of the Target Companies and the fair value of the land and buildings held by the Target Companies which is based on current use (i.e. industrial).

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

For details of the Transaction, please refer to the joint announcements of the Company and GSH 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 29 December 2017 in relation to the provision of New Supplier Guarantees given by members of the Group for the benefit of Dajincang. For more information, please refer to the sections headed "Update on Remedial Measures – 1. Financial guarantee contracts" and "Disclosure Pursuant to Rule 13.20 of The Listing Rules — Provision of Financial Assistance to a Former Supplier" in this announcement.

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.

SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

Change of auditor of the Company

Reference is made to the announcement of the Company dated 11 October 2017. World Link CPA Limited ("World Link") had resigned as the auditor of the Company, and Mazars CPA Limited has been appointed as the new auditor of the Company to fill the vacancy following the resignation of World Link and to hold office until the conclusion of the next annual general meeting of the Company.

Relocation of production facilities to the Xinglongshan site

Reference is made to the circulars of the Company dated 3 June 2016, the 2016 Annual Report and the 2017 Interim Report, in relation to among others, the relocation of production facilities of the Group 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.

In view of the changes in operating environment, the Group has reviewed the relocation projects and revised the feasibility studies for submission to among others, the relevant government parties for approval. As such, the updated timeframes is revised as follows:

Products of the Group to which the production facilities relate	**Production site to which the production facilities will be relocated**	**Production capacity of the relevant production facilities to be relocated (MT per annum)**	**Expected time for the relocation of production facilities** *(Note)*
Methanol	the Xinglongshan site	165,000	Ongoing (Tentatively to be completed by mid-2019)
Modified starch — food grade (phase 1)	the Xinglongshan site	20,000	September 2018 – August 2019
Modified starch (phase 2)	the Xinglongshan site	60,000	March 2019 – April 2020
Corn oil	the Xinglongshan site	63,000	September 2018 – August 2019
Lysine	the Xinglongshan site	100,000	September 2018 – August 2019
Corn refinery	Dehui City of Changchun	600,000	September 2018 – August 2019
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000	September 2018 – August 2019

Note: 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 the Group shall update its investors from time to time.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of Loan Agreements

Reference is made to the joint announcement of the Company and GSH dated 31 October 2016. Under the various loan agreements (the "Loan Agreements") entered into between Jinzhou Yuancheng Biochem Technology Co., Ltd.(錦州元成生化科技有限公司)("Jinzhou Yuancheng"), which is an indirect wholly owned subsidiary of GSH, and Jinzhou Branch of China Construction Bank(中國建設銀行股份有限公司錦州分行)(the "Lender") in respect of a 18-months fixed term loan in the aggregate principal amount of RMB224.0 million guaranteed by certain members of the GSH Group (the "Loan"), Jinzhou Yuancheng is required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. 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 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 GSH 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 GSH Group. As at the date of this announcement, the GSH Group has yet to receive a waiver from the Lender for waiver of other remedies available to the Lender which include among others, declaring the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreements immediately due and payable. Despite the above non-compliance, the GSH Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. The GSH Group is also in the process of applying for relevant waivers from other lenders in relation to the breach of the cross default provisions. Further announcement(s) regarding the Loan and status of the waivers will be made as and when appropriate.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to a former supplier

Reference is made to the announcement of the Company dated 31 March 2015, financial guarantees were first granted by certain subsidiaries of the Company during November 2010 to March 2015. As disclosed in the joint announcement of the Company and GSH dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the previous loan advanced by 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 then financial guarantees, loan agreements were re-entered into by the Former Supplier and BOC, and fresh guarantees were granted by subsidiaries of the Company to BOC to guarantee the obligations of the Former Supplier under the supplier loan.

As disclosed in the joint announcement of the Company and GSH dated 8 December 2017 and the circular of the Company dated 29 December 2017, 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. New Supplier Guarantees were granted by members 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 New Supplier Guarantees is RMB2.5 billion, and as the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose the New Supplier Guarantees in its reports and annual reports during the relevant periods when the New Supplier Guarantees are in effect.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2017, the Group had approximately 5,600 (2016: 5,200) 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 2017 (2016: 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, 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.

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 2017 annual general meeting 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 11:30 a.m.. Notice of the 2017 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, 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 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 15 May 2018.

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 MAZARS 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 2017 as set out in this announcement have been agreed by the Group's Auditor, Mazars CPA Limited, ("Mazars"), to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Mazars 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 Mazars on this announcement.

By order of the Board
Global Bio-chem Technology Group Company Limited
Yuan Weisen
Chairman

Hong Kong, 26 March 2018

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