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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	2018	2017	Change %
Revenue (HK$'Mn)	**1,961**	1,395	40.6
Gross profit (HK$'Mn)	**203**	154	31.3
Loss before tax (HK$'Mn)	**(205)**	(143)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(208)**	(140)	N/A
Basic loss per share (HK cents)	**(13.7)**	(9.2)	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 Sweeteners Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Year"), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	4	**1,961,004**	1,395,090
Cost of sales		**(1,758,173)**	(1,240,651)
Gross profit		**202,831**	154,439
Other income and gains	4	**20,374**	21,126
Selling and distribution costs		**(188,649)**	(134,735)
Administrative expenses		**(109,323)**	(102,825)
Other expenses		**(56,179)**	(31,024)
Finance costs	6	**(74,540)**	(49,708)
LOSS BEFORE TAX	5	**(205,486)**	(142,727)
Income tax (expenses) credit	7	**(3,010)**	2,469
LOSS FOR THE YEAR		**(208,496)**	(140,258)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**18,250**	(18,368)
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation	10	**—**	31,565
Income tax effect		**—**	(7,892)
		—	23,673
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**18,250**	5,305
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(190,246)**	(134,953)

	Notes	**2018**	2017
		HK$'000	*HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(208,496)**	(140,258)
Non-controlling interests		**—**	—
		(208,496)	(140,258)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(190,618)**	(134,443)
Non-controlling interests		**372**	(510)
		(190,246)	(134,953)
LOSS PER SHARE	*9*		
Basic		**HK(13.7) cents**	HK(9.2) cents
Diluted		**HK(13.7) cents**	HK(9.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**798,859**	896,985
Prepaid land lease payments		**130,650**	147,999
Deposits paid for acquisition of property, plant and equipment		**5,254**	308
Goodwill	*11*	**—**	—
Other intangible assets		**1,704**	3,243
		936,467	1,048,535
CURRENT ASSETS			
Inventories		**255,041**	169,130
Trade and bills receivables	*12*	**204,724**	136,980
Prepayments, deposits and other receivables	*13*	**76,482**	66,012
Pledged bank deposits		**79,433**	41,103
Cash and bank balances		**20,120**	173,697
		635,800	586,922
CURRENT LIABILITIES			
Trade and bills payables	*14*	**446,957**	176,446
Other payables and accruals		**241,582**	258,432
Interest-bearing bank borrowings		**826,378**	711,807
Due to fellow subsidiaries		**120,577**	126,095
Tax payables		**24,324**	26,355
		1,659,818	1,299,135
NET CURRENT LIABILITIES		**(1,024,018)**	(712,213)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(87,551)**	336,322

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**182,954**	415,663
Deferred income		**31,955**	34,072
Deferred tax liabilities		**10,759**	9,560
		225,668	459,295
NET LIABILITIES		**(313,219)**	(122,973)
CAPITAL AND RESERVES			
Share capital	*15*	**152,759**	152,759
Reserves		**(460,047)**	(269,429)
Deficit attributable to owners of the Company		**(307,288)**	(116,670)
Non-controlling interests		**(5,931)**	(6,303)
TOTAL DEFICIT		**(313,219)**	(122,973)

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners.

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

2.1 BASIS OF PREPARATION

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

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

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$208.5 million (2017: HK$140.3 million) for the year ended 31 December 2018 and as at that date, had net current liabilities of approximately HK$1,024.0 million (31 December 2017: HK$712.2 million) and net liabilities of approximately HK$313.2 million (31 December 2017: HK$123.0 million). In addition, any potential liabilities or obligations arising from the financial guarantee contract as discussed in note 16 granted by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) (“Dihao Foodstuff”), a subsidiary of the Company, for the benefit of Changchun Dajincang Corn Procurement Co., Ltd.（長春大金倉玉米收儲有限公司）(“Dajincang”) 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 (“Audit Committee”) after its critical review of the management’s position, the management of the Company has taken the following steps to improve the Group’s financial position:

(1) Active negotiations with banks to obtain adequate bank borrowings and to finalise the debt-equity swap proposal

The management of the Company has been actively negotiating with banks in the People's Republic of China ("PRC" or "Mainland China") to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. In addition, Mr. Yuan Weisen, the chairman of GBT, met with the representatives of Bank of China Weifeng International Branch (中國銀行股份有限公司偉峰國際支行) ("BOC") on behalf of the Group and the GBT Group on 26 March 2018, and it was proposed that the Group and the GBT Group together should provide a revised debt-equity swap proposal to BOC. Subsequent to the submission of the revised debt-equity swap proposal on 2 April 2018, the negotiation between the Group, the GBT Group and BOC continued and further revised versions of the debt-equity swap proposal were submitted to both BOC and the People's Government of Jilin Province for their review and consideration. During the negotiation, the Group, the GBT Group and BOC have also explored the possibility of including the indebtedness of Dajincang into the debt-equity swap proposal. Subsequently, a further revised debt-equity swap proposal ("Further Revised Debt-Equity Swap Proposal") was submitted by the Group and the GBT Group to Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group, the GBT Group and Dajincang and the introduction of strategic investor(s) in order to strengthen the capital of the Group and the GBT Group. The Further Revised Debt-Equity Swap Proposal has been reviewed by Bank of China Jilin Province Branch and further submitted to the People's Government of Jilin Province in August 2018 for their consideration. On 1 February 2019, a meeting amongst the representatives of the principal lending banks of the Group and the GBT Group in the PRC, the State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province (吉林省人民政府國有資產監督管理委員會) ("Jilin SASAC"), Jilin Province Local Financial Supervision Administration (吉林省地方金融監督管理局), Jilin Agricultural Investment Group Co., Ltd. (吉林省農業投資集團有限公司) ("Nongtou", together with its subsidiaries the "Nongtou Group"), and the management of the Group and the GBT Group was held in Changchun, in which the parties acknowledged the direction of the Further Revised Debt-Equity Swap Proposal and reinstated their intention to push through the execution of such proposal. The principal lending banks also confirmed at the meeting that during this transitional period, they would continue their support to the Group and the GBT Group and agreed (1) not to withdraw any banking facilities already provided; (2) to take all possible measures to ensure the renewal of all existing bank borrowings; and (3) to allow interest payment to be settled annually instead of monthly so as to ease the pressure of cash flow of the Group and the GBT Group.

As at the date this announcement, the negotiation about the Further Revised Debt-Equity Swap Proposal is still on-going, pending the finalisation of the details and the conditions with the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group and the GBT Group in the PRC. Subsequent to the meeting on 1 February 2019, the parties have been actively working on the details of the Further Revised Debt-Equity Swap Proposal. The Company will endeavour to facilitate the materialisation of the Further Revised Debt-Equity Swap Proposal which shall resolve the audit limitations in respect of the financial guarantee contract as discussed in note 16 and the material uncertainty related to the going concern of the Group and it is targeted that the Further Revised Debt-Equity Swap Proposal will be concluded by the end of the third quarter of 2019, subject to the due approvals from the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group and the GBT Group.

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

The Group has taken various measures to enhance its operational efficiency, especially in the Jinzhou site and the Xinglongshan site, to lower operating costs and strengthen the competitiveness of the Group. During the Year, the Group has also optimised its production in order to minimise operating cash outflows.

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

The Group has received a written confirmation dated 8 June 2018 from Nongtou, the indirect major shareholder of GBT, that it would continue to provide financial support to the Group and the GBT Group in the following 24 months on a going concern basis and undertake all the liabilities that might arise from the financial guarantee contract as discussed in note 16. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group signed corn purchasing contracts for an aggregate amount of 800,000 metric tonnes ("MT") of corn kernels with the subsidiaries of Nongtou in 2018, to ensure a stable supply of corn kernels. During the year ended 31 December 2018, the Group purchased approximately 121,000 MT of corn kernels from the subsidiaries of Nongtou which aggregately accounted for 22.2% of total corn procurement of the Group.

Furthermore, through the connection of Nongtou, the Group signed a one-year corn purchasing contract for the supply of 500,000 MT of corn kernels with a state-owned supplier ("State-Owned Supplier") in January 2018 to further secure a stable supply of corn kernels for 2018. During the year ended 31 December 2018, the Group purchased approximately 138,000 MT of corn kernels from the State-Owned Supplier which accounted for 25.3% of total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value amounted to RMB1,482.9 million at 31 December 2018 (31 December 2017: RMB1,173.9 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 and the GBT Group, to provide synergistic effects among its various investments in the agricultural sector in Jilin Province and to provide adequate and sufficient financial support to the Group and the GBT Group.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. The Directors proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group has sufficient working capital for its requirements for at least 12 months from the date of this announcement. Therefore, the consolidated financial statements of the Group 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 2017 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year.

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss
- FVOCI: fair value through other comprehensive income
- Designated FVOCI: equity instruments measured at FVOCI
- Mandatory FVOCI: debt instruments measured at FVOCI

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

In accordance with the transition provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

   (i) the determination of the business model within which a financial asset is held;
   (ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and
   (iii) the de-designation of financial assets or financial liabilities at FVPL.

   The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial liabilities.

The following table reconciles the original measurement categories and carrying amounts under HKAS 39 to the new measurement categories and carrying amounts under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Measurement category	**Carrying amount under HKAS 39 Loans and receivables**	**Carrying amount under HKFRS 9 Amortised cost**
	HK$'000	*HK$'000*
Trade and bills receivables	136,980	136,980
Financial assets included in prepayments, deposits and other receivables	3,308	3,308
Pledged bank deposits	41,103	41,103
Cash and bank balances	173,697	173,697
	355,088	355,088

Note: These items continue to be measured at amortised cost because, at the date of initial application, the Group's business model is to hold these items to collect contractual cash flows and the cash flows represent solely payments of principal and interest on the principal amount outstanding.

Impact of the new impairment requirements

The effect on adoption of the new impairment requirements under HKFRS 9 is not material to the Group's consolidated financial statements.

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 Revenue and HKAS 11 Construction Contracts which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. This standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers. It also introduces 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 Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transition provisions therein.

The adoption of this standard does not have a significant impact on the measurement and recognition of revenue of the Group but additional disclosures have been made throughout the consolidated financial statements.

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The interpretation specifies the date of the transaction for determining the exchange rate to be used for transactions that involve advance consideration paid or received in a foreign currency.

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

2.4 NEW AND REVISED HKFRSs NOT YET ADOPTED

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

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs	2015–2017 Cycle[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] The effective date to be determined

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

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has three (2017: three) reportable operating segments as follows:

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

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

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

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 2018

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	**839,324**	**1,121,227**	**453**	**1,961,004**
Intersegment sales	**353,005**	**90,539**	**—**	**443,544**
	1,192,329	**1,211,766**	**453**	**2,404,548**
Reconciliation:				
Elimination of intersegment sales				**(443,544)**
Revenue				**1,961,004**
Segment results	**(65,214)**	**(49,539)**	**(163)**	**(114,916)**
Reconciliation:				
Unallocated bank interest and other corporate income				**960**
Corporate and other unallocated expenses				**(16,990)**
Finance costs				**(74,540)**
Loss before tax				**(205,486)**
Income tax expenses				**(3,010)**
Loss for the year				**(208,496)**

(b) Other segment information

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Capital expenditure	**6,890**	**16,897**	**—**	**23,787**
Depreciation	**31,496**	**45,707**	**—**	**77,203**
Amortisation of prepaid land lease payments	**3,854**	**3,486**	**—**	**7,340**
Loss on disposal of property, plant and equipment, net	**71**	**140**	**—**	**211**
Write-down (Reversal of write-down) of inventories, net	**2,089**	**(2,521)**	**—**	**(432)**
Impairment (Reversal of impairment) of trade and bills receivables, net	**417**	**(11,157)**	**(3)**	**(10,743)**
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	**17,652**	**48**	**(9)**	**17,691**
Wavier of payables	**—**	**(1,188)**	**—**	**(1,188)**

(a) Segment results

Year ended 31 December 2017

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Segment revenue				
Sales to external customers	572,800	812,042	10,248	1,395,090
Intersegment sales	320,205	—	—	320,205
	893,005	812,042	10,248	1,715,295
Reconciliation:				
Elimination of intersegment sales				(320,205)
Revenue				1,395,090
Segment results	(35,618)	(41,508)	646	(76,480)
Reconciliation:				
Unallocated bank interest and other corporate income				178
Corporate and other unallocated expenses				(16,717)
Finance costs				(49,708)
Loss before tax				(142,727)
Income tax credit				2,469
Loss for the year				(140,258)

(b) Other segment information

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Capital expenditure	6,624	82,683	—	89,307
Depreciation	26,578	34,878	—	61,456
Amortisation of prepaid land lease payments	3,721	3,327	—	7,048
Loss on disposal of property, plant and equipment, net	26	673	—	699
Write-down (Reversal of write-down) of inventories, net	470	(635)	—	(165)
Impairment (Reversal of impairment) of trade and bills receivables, net	349	(751)	3	(399)
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	(11,471)	699	28	(10,744)

(c) Geographical information

Revenue information based on locations of customers

	2018	2017
	HK$'000	*HK$'000*
The PRC	**1,818,523**	1,288,782
Asian region and others	**142,481**	106,308
	1,961,004	1,395,090

Non-current assets information based on locations of assets

	2018	2017
	HK$'000	*HK$'000*
The PRC	**936,467**	1,048,535

(d) Information about major customers

There was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue for the year ended 31 December 2018 (2017: Nil).

4. REVENUE, OTHER INCOME AND GAINS

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods	**1,961,004**	1,395,090

The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.

	2018	2017
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**960**	788
Net gains arising from sale of packing materials and by-products	**—**	175
Government grants *(note)*	**1,208**	2,532
Amortisation of deferred income	**190**	184
Subcontracting income	**4,140**	2,274
Foreign exchange gain, net	**695**	328
Reversal of impairment of trade and bills receivables, net	**10,743**	399
Reversal of impairment of prepayments, deposits and other receivables, net	**—**	10,744
Wavier of payables	**1,188**	—
Others	**1,250**	3,702
	20,374	21,126

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

5. LOSS BEFORE TAX

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

	Note	2018 HK$'000	2017 HK$'000
Employee benefit expenses (excluding Directors' remuneration)			
— Wages and salaries		**95,537**	64,464
— Pension scheme contributions		**32,790**	23,889
		128,327	88,353
Cost of inventories sold*		**1,746,785**	1,235,933
Auditor's remuneration		**2,200**	2,500
Foreign exchange gain, net		**(695)**	(328)
Operating lease payments in respect of land and premises		**4,304**	2,830
Depreciation	*10*	**77,203**	61,456
Amortisation of prepaid land lease payments		**7,340**	7,048
Impairment of other intangible assets		**1,539**	—
Loss on disposal of property, plant and equipment, net		**211**	699
Reversal of write-down of inventories, net, included in cost of sales		**(432)**	(165)
Reversal of impairment of trade and bills receivables, net		**(10,743)**	(399)
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net		**17,691**	(10,744)
Corn subsidies, included in cost of sales		**(955)**	(22,854)

* Cost of inventories sold includes employee benefit expenses, depreciation, amortisation of prepaid land lease payments and reversal of write-down/write-down of inventories, which are also included in the respective total amounts disclosed separately above for each of these types of income and expenses.

6. FINANCE COSTS

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

	2018 HK$'000	2017 HK$'000
Interest on bank borrowings	**57,241**	48,929
Interest on trade payables	**16,736**	—
Finance costs for discounted bills receivables	**563**	779
	74,540	49,708

7. INCOME TAX EXPENSES (CREDIT)

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the year ended 31 December 2018 (2017: Nil). The PRC enterprise income tax has been provided at the rate of 25% (2017: 25%) on the estimated assessable profits of subsidiaries operating in the PRC.

	2018	2017
	HK$'000	*HK$'000*
Current tax — The PRC enterprise income tax	**2,360**	4,141
Deferred tax — Origination and reversal of temporary differences, net	**650**	(6,610)
Income tax expenses (credit)	**3,010**	(2,469)

8. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the Year attributable to owners of the Company of approximately HK$208,496,000 (2017: HK$140,258,000) and the weighted average number of ordinary shares in issue throughout the year of 1,527,586,000 shares (2017: 1,527,586,000 shares).

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the years ended 31 December 2018 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT

		2018	2017
	Note	***HK$'000***	*HK$'000*
At 1 January		**896,985**	780,869
Gain on property revaluation		**—**	31,565
Additions		**23,787**	89,307
Disposals		**(530)**	(2,202)
Depreciation	*5*	**(77,203)**	(61,456)
Exchange realignment		**(44,180)**	58,902
At 31 December		**798,859**	896,985

11. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
Cost	**183,538**	183,538
Impairment	**(183,538)**	(183,538)
	—	—

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

12. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**274,285**	221,907
Bills receivables	**6,186**	6,307
	280,471	228,214
Loss allowance	**(75,747)**	(91,234)
	204,724	136,980

The Group normally grants credit terms of 30 to 90 days (2017: 30 to 90 days) to established customers. The trade and bills receivables are mainly denominated in Renminbi. Ageing analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**140,483**	89,680
1 to 2 months	**43,996**	32,808
2 to 3 months	**12,572**	7,741
Over 3 months	**7,673**	6,751
	204,724	136,980

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**27,233**	27,757
Deposits and other debtors	**5,703**	3,308
PRC value-added tax ("VAT") and other tax receivables	**36,124**	27,077
Current portion of prepaid land lease payments	**7,422**	7,870
	76,482	66,012

14. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables		
— To third parties *(note (a))*	**204,572**	135,343
— To a subsidiary of Nongtou *(note (b))*	**163,046**	—
	367,618	135,343
Bills payables	**79,339**	41,103
	446,957	176,446

The Group normally obtains credit terms ranging from 30 to 90 days (2017: 30 to 90 days) from its suppliers.

Note (a): At 31 December 2018, the trade payables to third parties included balances payable to the State-Owned Supplier of HK$79.7 million (31 December 2017: Nil), which are unsecured and interest-bearing at 8.0% to 9.0% per annum after the credit periods lapsed.

Note (b): The trade payables to a subsidiary of Nongtou are unsecured and interest-bearing at 8.0% per annum after the credit periods lapsed.

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**209,231**	59,270
1 to 2 months	**67,563**	4,853
2 to 3 months	**2,632**	3,976
Over 3 months	**167,531**	108,347
	446,957	176,446

15. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2017: 100,000,000,000) ordinary shares of HK$0.10 each	**10,000,000**	10,000,000
Issued and fully paid:		
1,527,586,000 (2017: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

16. FINANCIAL GUARANTEE CONTRACT

As mentioned in note 2.2, Dihao Foodstuff together with certain fellow subsidiaries of GBT have jointly provided corporate guarantees to a bank in the PRC in respect of banking facilities granted to Dajincang starting from year 2010. The maximum amount of the banking facilities was RMB2.5 billion at 31 December 2018 (2017: RMB2.5 billion). The Directors have tried to engage a professional valuer to assess the fair value of the financial guarantee contract. However, since the Directors were unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the consolidated financial statements in respect of the financial guarantee contract.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

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

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

As a result of similar limitations of audit scope as mentioned below, a disclaimer of opinion was expressed by the Auditor in the report dated 26 March 2018 on the consolidated financial statements of the Group for the year ended 31 December 2017.

(i) Financial guarantee contracts

As mentioned in notes 2.2 and 27 to the consolidated financial statements, a subsidiary of the Company, together with certain fellow subsidiaries, had jointly provided corporate guarantees (the "Financial Guarantee Contracts") 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 2017 and 31 December 2018. In addition, an indirect major shareholder of the ultimate holding company of the Company provided confirmation in writing that it would undertake all the liabilities that might arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the "Confirmation"). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As the management of the Company had not developed and applied an appropriate accounting policy for the Confirmation and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmation at 31 December 2017 and 31 December 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017 and 31 December 2018, 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 2018.

(ii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2018, the Group had net current liabilities and capital deficiency of HK$1,024.0 million and HK$313.2 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$208.5 million for the year ended 31 December 2018. 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 amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2018. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2017 was subject to the disclaimer of opinion of the Auditor in the independent auditor's report in the Company's annual report for the year ended 31 December 2017 ("2017 Annual Report"). Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the 2017 Annual Report and the interim report of the Company for the six months ended 30 June 2018 ("2018 Interim Report"), the management of the Company wishes to provide an update on the remedial measures taken or to be taken as follows, which have been considered, recommended, and agreed by the Audit Committee after its critical review of the management's position:

1. Financial guarantee contract

As detailed in the 2017 Annual Report, the financial guarantee contract was not recognised in the Group's consolidated financial statements for the year ended 31 December 2017 because the Group was unable to obtain reliable financial information of Dajincang for the professional valuer to conduct an accurate valuation. During the Year, as the Company was still not able to obtain such information despite continuous enquiries and requests made to Dajincang. Consequently, the valuer was not able to conduct a valuation of the financial guarantee contract for financial reporting purpose.

As disclosed in the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018, the terms of the previous supplier guarantee ("Previous Supplier Guarantee") had expired in December 2018 and Dajincang still did not have sufficient financial resources to repay the loan ("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 Guarantee, Dajincang proposed to refinance the Previous Supplier Loan by entering into new supplier loan agreements ("New Supplier Loan") with BOC for all the indebtedness due and owing to BOC with, among others, a new supplier guarantee ("Dihao New Supplier Guarantee") to be granted by Dihao Foodstuff. As a condition to the New Supplier Loan, the Dihao New Supplier Guarantee was granted by Dihao Foodstuff to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The amount drawn down by Dajincang as at 31 December 2018 and up to the date of this announcement amounted to RMB2.49 billion (31 December 2017: RMB2.49 billion).

During the Year, the Group has continued to negotiate with BOC to release the Group from the Dihao New Supplier Guarantee through the restructuring of Dajincang to improve the financial position of Dajincang. However, it is expected that more time is needed for Dajincang to materialise its business plan for restructuring. As such, BOC did not release the Group from the Dihao New Supplier Guarantee at the date of this announcement. Nevertheless, the Group will continue to find solutions to release the Group from its obligations under the Dihao New Supplier Guarantee.

As disclosed in the 2018 Interim Report, Mr. Yuan Weisen, the chairman of GBT, met with the representatives of BOC on behalf of the Group and the GBT Group on 26 March 2018, and it was proposed that the Group and the GBT Group together should provide a revised debt-equity swap proposal to BOC. Subsequent to the submission of the revised debt-equity swap proposal on 2 April 2018, the negotiation between the Group, the GBT Group and BOC continued and further revised versions of the revised debt-equity swap proposal were submitted to both BOC and the People's Government of Jilin Province for their review and consideration. During the Year, the management of the Group and the GBT Group met with BOC, the People's Government of Jilin Province and the relevant professional parties on a regular basis to discuss the proposal and other alternatives to resolve the audit modification in respect of the Dihao New Supplier Guarantee, such as the option to include the indebtedness of Dajincang in the debt-equity swap proposal. Subsequently, the Further Revised Debt-Equity Swap Proposal was submitted by the Group and the GBT Group to Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group, the GBT Group and Dajincang and the introduction of strategic investor(s) in order to strengthen the capital of the Group and the GBT Group. The Further Revised Debt-Equity Swap Proposal has been passed on to the headquarters of the Bank of China by Bank of China Jilin Province Branch, and further submitted to the People's Government of Jilin Province in August 2018 for their consideration. For further details of the progress of the Further Revised Debt-Equity Swap Proposal, please refer to note 2.2.

2. Material uncertainty relating to going concern

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

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2.2, the Board, including the Audit Committee, is of the view that the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this announcement, and that the relevant disclaimer opinion may not appear in the final results for the year ending 31 December 2019. In addition, the Group had received a written confirmation from Nongtou dated 8 June 2018 in which Nongtou reaffirmed that it would continue to support the Group and the GBT Group to operate on a going concern basis with its resources and connections by way of providing financial support through loans and borrowings and operational support such as the supply of corn kernels to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

During the Year, despite the continuous effort of the state government to stimulate economic growth and development of the PRC, the trade war between the PRC and the US added uncertainties to the overall economic environment in the PRC. As a result, economic growth rate slowed down to 28-year low in the PRC at 6.6% in 2018. On the other hand, outbreak of African Swine Flu ("ASF") across the PRC impacted on the feed industry during the Year. As such, the performance of the Group's upstream other corn refined products for the Year was under pressure.

With respect to corn supply, according to the United States Department of Agriculture, global corn production for the year 2018/19 is estimated at 1,100 million MT (2017/18: 1,076 million MT). As demand of corn remained strong during the Year, as driven by corn-based ethanol in the US as well as in the PRC, and the decrease in corn production in Brazil and Argentina, international corn price increased to 429 US cents per bushel (equivalent to RMB1,161 per MT) (End of 2017: 351 US cents per bushel) by the end of the Year. In the PRC, the harvest in 2018/19 produced 257 million MT of corn (2017/18: 259 million MT). Consumption volume in 2018 was 263 million MT. As such, corn price in the PRC was up 27.2% year-on-year. As it is expected that the ageing corn stock in the PRC will gradually be digested in 2019, corn production for the harvest year 2019/20 is expected to increase. Since the abolition of the state procurement of corn in 2016, corn price in the PRC has been normalised and determined by market mechanisms. With the expectation of an abundant supply of corn in the 2019/20 harvest, the performance of the upstream corn refinery business will then be determined by the profitability of the other corn refined products which shall depend on the government's control over the outbreak of ASF and the macro economic environment.

As for the sugar market, increased global production has kept international sugar price low at 12.03 US cents per pound (equivalent to RMB1,829 per MT) by the end of the Year (end of 2017: 15.01 US cents per pound, equivalent to RMB2,223 per MT). In the PRC market, domestic sugar production remained at similar level at 10.8 million MT in 2018/19 harvest (2017/18: 10.5 million MT), with expanded sugarbeet and sugarcane planting area. As a result, domestic sugar price dropped to RMB5,378 per MT (end of 2017: RMB6,418 per MT) by the end of the Year. In response to the huge difference between international sugar price and domestic sugar price, the PRC government has implemented a series of measures, including raising import tariff for sugar imports without quota and introducing uniform tariff policy for all sugar exporting countries (instead of favouring smaller exporters). Such measures are expected to narrow the differences between the international and domestic sugar prices and stabilise the domestic sugar price in the PRC. On the other hand, since Brazil and the EU are expected to cut their sugar output in 2019/20 harvest which may give rise to a sugar deficit of approximately 2 million MT for the 2019/20, this may help relieve the pressure of sugar imports into the PRC.

Nevertheless, after years of industry development, customers have got 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 is only one of the pricing references of sweeteners. Although the fluctuation 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 downstream sweetener products remained relatively stable during the Year. The Group will continue to strengthen its market position leveraging on its brand name and further improve cost effectiveness through continuous research and development efforts to lower operating costs, at the same time optimise facilities utilisation rate to improve operational efficiency.

FINANCIAL PERFORMANCE

During the Year, with improvement in operational efficiency of the Jinzhou site and the completion of relocation and commencement of the sweeteners production facilities in the Xinglongshan site, the Group's consolidated revenue increased by approximately 40.6% to approximately HK$1,961.0 million (2017: HK$1,395.1 million) as compared to last year. With respect to the cost of raw material, due to changes in the agricultural subsidy policy of the provincial governments, the corn procurement subsidies the Group was entitled to for the Year decreased by 95.6% to approximately HK$1.0 million (2017: HK$22.9 million). In addition, the Group's purchase price of corn kernels increased by 27.2% during the Year. The combined effect of the above has driven up the cost of sales per MT by 14.9% during the Year. Nevertheless, as the total sales volume increased by 23.1% to approximately 714,000 MT (2017: 580,000 MT) subsequent to the commencement of production in the Xinglongshan site, with average selling price increased by 14.0%, the Group's gross profit increased by 31.3% to approximately HK$202.8 million (2017: HK$154.4 million) while gross profit margin decreased by merely 0.8 percentage point to 10.3% (2017:11.1%).

In addition, the increase in selling expenses and finance costs have dragged down the overall performance of the Group. As a result, the Group recorded a net loss and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$208.5 million and approximately HK$46.4 million respectively for the Year as compared to net loss and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$140.3 million and approximately HK$24.5 million respectively for last year.

During the Year, the management has been actively considering and adopting a number of measures to improve the financial performance and financial position of the Group. For further details, please refer to note 2.2.

Upstream products

(Sales amount: HK$839.3 million (2017: HK$572.8 million))
(Gross profit: HK$46.5 million (2017: HK$40.2 million))

With respect to the Group's corn refinery business, the improvement in operational efficiency in Jinzhou site for the Year has increased the sales volume of corn starch and other corn refined products to approximately 212,000 MT (2017: 163,000 MT) and 129,000 MT (2017: 101,000 MT) respectively, as well as their revenue to approximately HK$559.4 million (2017: HK$362.9 million) and HK$279.9 million (2017: HK$209.9 million) respectively. Internal consumption of corn starch was approximately 143,000 MT (2017: 128,000 MT), which was mainly used as the raw material for production in the Group's production sites in Jinzhou and Shanghai.

Due to changes in the provincial corn procurement subsidy programme, the corn subsidies the Group was entitled to for the Year was reduced to approximately HK$1.0 million (2017: HK$22.9 million). On the other hand, while the Group's average cost of sales of corn starch and other corn refined products increased by 14.3% and 15.8% respectively, their average selling prices increased by 18.3% and 3.9% respectively. As a result, the corn starch segment recorded a gross profit margin of approximately 15.7% (2017: 12.7%) while the other corn refined products segment recorded a gross loss margin of 14.7% (2017: 2.9%) for the Year.

The Group has been the sole distributor of the GBT Group for the sales and marketing of their upstream corn refined products in the Huadong region in the PRC since 2016. No trading of GBT's upstream products was recorded during the Year (2017: HK$1.6 million).

Corn syrup

(Sales amount: HK$765.4 million (2017: HK$614.5 million))
(Gross profit: HK$108.8 million (2017: HK$95.8 million))

During the Year, the revenue and gross profit of corn syrup increased by 24.6% and 13.6% respectively to approximately HK$765.4 million (2017: HK$614.5 million) and approximately HK$108.8 million (2017: HK$95.8 million) respectively. Such increases were mainly attributable to the increase in sales volume by 8.7% to approximately 251,000 MT (2017: 231,000 MT) as a result of the completion of the relocation and commencement of the glucose/maltose production facilities in the Xinglongshan site. However, as the market in northeast China was primarily occupied by low-margin industrial users and the increased corn cost had been passed on to the downstream operation, the gross profit margin of corn syrup decreased to 14.2% (2017: 15.6%) during the Year.

Corn syrup solid

(Sales amount: HK$355.8 million (2017: HK$197.6 million))
(Gross profit: HK$47.5 million (2017: HK$17.5 million))

During the Year, the revenue and gross profit of maltodextrin increased by 80.1% and 171.4% to approximately HK$355.8 million (2017: HK$197.6 million) and approximately HK$47.5 million (2017: HK$17.5 million) respectively. Such increases were mainly attributable to the increase in sales volume of maltodextrin by 47.0% to approximately 122,000 MT (2017: 83,000 MT) as a result of the completion of the relocation of the maltodextrin production facilities to Xinglongshan and a 22.9% increase in selling price year-on-year. Together with the improved efficiency subsequent to the relocation of the production facilities, the gross profit margin of corn syrup solid increased to 13.4% (2017: 8.9%).

Trading

(Sales amount: HK$0.5 million (2017: HK$10.2 million))
(Gross profit: Nil (2017: HK$0.9 million))

The Group has entered into a master sales agreement with the GBT Group since 2016 for the marketing and selling of their lysine, corn starch and other corn refined products in the Huadong region in the PRC. Results of trading of corn starch and other corn refined products are included in the financial results of upstream products. Results of the trading segment include only those of amino acids.

During the Year, the revenue of the trading of amino acids decreased to approximately HK$0.5 million (2017: HK$10.2 million) and no gross profit was recorded during the Year (2017: HK$0.9 million). The downturn of trading of amino acids business was mainly attributable to the weak lysine market driven by the poor market sentiment of the husbandry industry and the outbreak of ASF during the Year.

Export sales

During the Year, the Group exported approximately 39,000 MT (2017: 51,000 MT) of upstream corn refined products and approximately 16,000 MT (2017: 4,000 MT) of corn sweeteners; their export sales amounted to approximately HK$92.7 million (2017: HK$94.2 million) and approximately HK$49.8 million (2017: HK$12.1 million) respectively, together representing 7.3% (2017: 7.6%) of the Group's total revenue.

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

Other income and gains

During the Year, other income of the Group decreased slightly by 3.3% to approximately HK$20.4 million (2017: HK$21.1 million), as there was a one-off government grant in 2017 for Jinzhou upsteam operation amounted to approximately HK$2.1 million which was not available for the Year.

Selling and distribution costs

During the Year, the selling and distribution costs increased by 40.0% to approximately HK$188.6 million (2017: HK$134.7 million), accounting for 9.6% (2017: 9.7%) of the Group's revenue. Such increase was mainly attributable to the increase in sales volume by 23.1% to approximately 714,000 MT (2017: 580,000 MT) as a result of the increase in production in the Jinzhou site and the completion of the relocation and commencement of the production facilities in the Xinglongshan site.

Administrative expenses

As revaluation work has been done on buildings for administrative use in the PRC at the end of 2017 where value of these buildings appreciated, additional depreciation expenses were recognised during the Year. Consequently, administrative expenses increased by 6.3% to approximately HK$109.3 million (2017: HK$102.8 million), representing 5.6% (2017: 7.4%) of the Group's revenue.

Other expenses

Other expenses of the Group increased to approximately HK$56.2 million (2017: HK$31.0 million) during the Year. Such increase was mainly attributable to the impairment of prepayments, deposits and other receivables which amounted to HK$17.7 million (2017: Nil).

Finance costs

During the Year, finance costs of the Group increased to approximately HK$74.5 million (2017: HK$49.7 million) as a result of the increase in interest on trade payables, which amounted to HK$16.7 million (2017: Nil).

Income tax expenses (credit)

Due to the reversal of temporary differences, the Group recorded a deferred tax expenses of approximately HK$0.6 million (2017: credit of HK$6.6 million) during the Year, meanwhile, a subsidiary of the Company in the PRC generated net profit and the PRC income tax expenses amounting to approximately HK$2.4 million was provided for the Year (2017: HK$4.1 million). As a result, the Group recorded income tax expenses of approximately HK$3.0 million during the Year (2017: income tax credit: HK$2.5 million).

Net loss attributable to shareholders

As a result of the the challenging operating environment of the upstream business and the increase in finance costs and other expenses, the Group's net loss was widened to approximately HK$208.5 million (2017: HK$140.3 million) during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2018 decreased by approximately HK$118.2 million to approximately HK$1,009.3 million (31 December 2017: HK$1,127.5 million). The change in total borrowings was mainly attributable to exchange rate adjustment as at 31 December 2018 which amounted to approximately HK$61.4 million and the decrease in interest-bearing bank borrowings in the Group's operation in Shanghai which amounted to approximately HK$34.1 million. On the other hand, cash and bank balances and pledged bank deposits as at 31 December 2018 decreased by approximately HK$115.2 million to approximately HK$99.6 million (31 December 2017: HK$214.8 million). As such, the net borrowings merely decreased to approximately HK$909.7 million (31 December 2017: HK$912.7 million).

Structure of interest-bearing borrowings and net borrowing position

As at 31 December 2018, the Group's bank borrowings amounted to approximately HK$1,009.3 million (31 December 2017: HK$1,127.5 million), all of which (31 December 2017: 100.0%) were denominated in Renminbi. The average interest rate during the Year increased to approximately 7.0% (2017: 5.1%) per annum as a result of the increase in the PRC interest rate. The percentage of interest-bearing borrowing wholly repayable within one year and in the second to the fifth years were 81.9% and 18.1% (31 December 2017: 63.1% and 36.9%), respectively. As at 31 December 2018, interest-bearing bank borrowings amounted to approximately RMB225.0 million have been charged at fixed interest rates of 7.0% to 8.0% for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank borrowings are charged with reference to floating interest rate.

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

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. Although the Group's revenue increased by 40.6% to approximately HK$1,961.0 million for the Year (2017: HK$1,395.1 million), the Group had maintained a stringent credit control and therefore, the trade receivables turnover days only increased to 38 days (31 December 2017: 36 days).

During the Year, trade payables turnover days increased to approximately 93 days (31 December 2017: 52 days) as better credit terms were offered to the Group for the corn procurement agreements signed with several subsidiaries of Nongtou.

As at 31 December 2018, the Group's inventory level increased by 50.8% to approximately HK$255.0 million (31 December 2017: HK$169.1 million) as a result of increased inventory in the Jinzhou operation. Consequently, the inventory turnover days increased to approximately 53 days for the Year (31 December 2017: 50 days).

As at 31 December 2018, the current ratio and quick ratio decreased to approximately 0.4 (31 December 2017: 0.5) and 0.2 (31 December 2017: 0.3), respectively. Gearing ratio in terms of debts (i.e. total interest-bearing bank borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank borrowings) was approximately 145.0% (31 December 2017: 112.2%).

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for 7.3% (2017: 7.6%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

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

Termination of transaction in relation to the transfer of two subsidiaries in Changchun from the Group to the GBT Group

Reference is made to the joint announcements of the Company and GBT dated 21 July 2017, 16 January 2018, 16 July 2018 and 31 December 2018 in relation to the transfer of two subsidiaries in Changchun from the Group to the GBT Group (the "Transaction") and the joint announcement of the Company and GBT dated 12 March 2019, in relation to the termination of the Transaction. The relevant member of the Group was advised by the relevant bank that the final approval would only be given subject to certain conditions which were considered and not accepted by the relevant member of the Group. While no consensus for alternative solution can be reached between the relevant member of the Group and the relevant bank, both the Group and the GBT Group have been actively negotiating with their lending banks for the restructuring of the debts of their member companies in Changchun, the PRC, including the debt-equity swap proposal.

Since the restructuring of debt involves a number of banks in the PRC, the parties consider it more appropriate to keep the current corporate structure as is in order to facilitate the negotiation and approval process.

Therefore, in view of the above, the Vendors and the Purchaser have mutually agreed to terminate the S&P Agreement, and neither party shall have any claim against each other under the S&P Agreement.

Provision of financial assistance to Dajincang

Reference is made to the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018 in relation to the provision of Dihao New Supplier Guarantee given by a member of the Group for the benefit of Dajincang. For more information, please refer to the sections headed "Update on Remedial Measures – 1. Financial guarantee contract" and "Disclosure Pursuant to rule 13.20 of The Listing Rules" in this announcement.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Reference is made to the joint announcement of the Company and GBT dated 21 September 2018. Under a loan agreement (the "Loan Agreement") entered into between Jinzhou Dacheng Food Development Co., Ltd. (錦州大成食品發展有限公司) ("Jinzhou Dacheng"), which is an indirect wholly owned subsidiary of the Company, and Jinzhou Port Branch of Bank of China (中國銀行股份有限公司錦州港支行) (the "Lender") in respect of a twelve month fixed term loan due in December 2018 (the "Loan"), Jinzhou Dacheng is required to, among others, satisfy a financial covenant as to the debt-to-assets ratio, failure to comply with such financial covenant entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. The Loan is guaranteed by the Company and certain members of the Group have also provided guarantees and securities to secure the Loan.

Based on the unaudited management accounts of Jinzhou Dacheng for the eight months ended 31 August 2018, Jinzhou Dacheng has failed to fulfill certain financial covenant under the Loan Agreement. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable. In addition, such breach may also trigger cross default provisions ("Cross Default") in other loan agreements entered into by the Group in the aggregate outstanding principal amount of approximately RMB454.8 million. Save for the Cross Default, the breach has not resulted in any triggering of cross default provisions of other loan agreements and/or banking facilities entered into by the Group or the GBT Group.

On 18 December 2018, Jinzhou Dacheng signed a renewal agreement to renew the Loan Agreement with the principal amount of RMB25.0 million pursuant to which the due date of the Loan has been extended to December 2019. As at the date of this announcement, the outstanding principal amount under the Loan Agreement is RMB25.0 million and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement. In addition, the Group is in the process of applying for the relevant waivers from the lenders in relation to the Cross Default. Despite the above non-compliance, the Group has not experienced any difficulties in obtaining financing with its banks for its working capital. Further announcement(s) will be made by the Company and GBT to update the status of the waivers as and when appropriate.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

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

As disclosed in the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the Previous Supplier Loan expired in December 2018 and Dajincang 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, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for the New Supplier Loan. New supplier guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by Dihao Foodstuff and other members of the GBT Group to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The maximum principal amount guaranteed under the Dihao New Supplier Guarantee is RMB2.5 billion. Since 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 rule 13.13 of the Listing Rules and to comply with rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under rule 13.20 of the Listing Rules to disclose the Dihao New Supplier Guarantee in its interim and annual reports during the relevant periods when the Dihao New Supplier Guarantee is in effect.

SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2018 Interim Report in relation to, among others, the suspension and relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

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

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

Products of the Group to which the production facilities relate	Production capacity of the relevant production facilities to be relocated (mtpa)	Expected time for the relocation of production facilities
Crystallised glucose*	100,000	June 2019 — June 2020
Corn refinery*	600,000	December 2019 — December 2020

* 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.

FUTURE PLANS AND PROSPECTS

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

In the short run, the Group will consolidate its resources towards the development of the Shanghai production base, leveraging on the synergistic effect with the Jinzhou production base for the supply of raw materials/sweetener products to serve the respective Huadong market in the PRC and further enhance the operational efficiency in the Jinzhou site and the Xinglongshan site to lower operating costs and maintain the competitiveness of the Group.

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

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2018, the Group has approximately 1,100 (31 December 2017: 1,120) full time employees in Hong Kong and in the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 1 October 2018, Mr. Wang Jian resigned as the chief executive officer of the Company. On 31 December 2018, Mr. Kong Zhanpeng resigned as an executive Director and ceased to be the chairman of the Company. On 31 December 2018, Mr. Zhang Zihua has been appointed as acting chairman of the Company. On 29 December 2018, Mr. Wang Guicheng has been appointed as the chief operating officer and is responsible for overseeing the Company's operation management and product development of the Group.

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

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. Fong Wai Ho (the chairman of the committee), Mr. Lo Kwing Yu and Mr. Wang Wenquan.

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

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

FULL DETAILS OF FINANCIAL INFORMATION

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

ANNUAL GENERAL MEETING

The 2018 annual general meeting ("AGM") of the Company will be held at Jade Room, 6th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong on Wednesday, 22 May 2019 at 10:30 a.m.. Notice of the AGM will be published on the websites of the Company (www.global-sweeteners.com) and the Stock Exchange (www.hkexnews.hk), and will be dispatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares will be registered, in order to determine the shareholders' entitlements to the attendance at the AGM.

Shareholders are reminded that in order to qualify for the attendance at the AGM, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 16 May 2019.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on this announcement.

By order of the Board
Global Sweeteners Holdings Limited
Zhang Zihua
Acting Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the board of Directors comprises one executive Director namely, Mr. Zhang Zihua; and three independent non-executive Directors, namely, Mr. Fong Wai Ho, Mr. Lo Kwing Yu and Mr. Wang Wenquan.