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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 2018

FINANCIAL HIGHLIGHTS	2018	2017	Change %
Revenue (HK$'Mn)	**5,658**	4,397	28.7
Gross profit (HK$'Mn)	**260**	609	(57.4)
Loss for the year (HK$'Mn)	**(1,299)**	(890)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(1,222)**	(837)	N/A
Basic loss per share (HK cents)	**(19.1)**	(13.0)	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 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*	**5,657,726**	4,397,005
Cost of sales		**(5,398,016)**	(3,787,974)
Gross profit		**259,710**	609,031
Other income and gains	*4*	**321,630**	198,754
Selling and distribution costs		**(584,130)**	(398,193)
Administrative expenses		**(439,187)**	(419,489)
Other expenses		**(360,098)**	(584,442)
Finance costs	*6*	**(565,040)**	(454,678)
LOSS BEFORE TAX	*5*	**(1,367,115)**	(1,049,017)
Income tax credit	*7*	**67,896**	158,759
LOSS FOR THE YEAR		**(1,299,219)**	(890,258)
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		**195,209**	(177,849)
Items that will not be reclassified subsequently to profit or loss:			
Gain on property revaluation, net		**—**	540,726
Income tax effect		**—**	(135,076)
		—	405,650
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**195,209**	227,801
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,104,010)**	(662,457)

	Notes	**2018**	2017
		HK$'000	*HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(1,222,322)**	(837,491)
Non-controlling interests		**(76,897)**	(52,767)
		(1,299,219)	(890,258)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(1,040,349)**	(602,751)
Non-controlling interests		**(63,661)**	(59,706)
		(1,104,010)	(662,457)
LOSS PER SHARE			
Basic	*9*	**HK(19.1) cents**	HK(13.0) cents
Diluted	*9*	**HK(19.1) cents**	HK(13.0) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,496,030**	7,188,318
Prepaid land lease payments		**575,231**	620,865
Deposits paid for acquisition of property, plant and equipment		**65,175**	63,153
Goodwill		**—**	—
Intangible assets		**3,806**	5,358
Interests in an associate		**—**	—
		7,140,242	7,877,694
CURRENT ASSETS			
Inventories	*10*	**745,493**	592,465
Trade and bills receivables	*11*	**574,267**	517,402
Prepayments, deposits and other receivables	*12*	**1,025,886**	1,047,812
Due from an associate		**—**	17,142
Pledged bank deposits	*13*	**203,918**	406,209
Cash and bank balances	*13*	**135,033**	304,362
		2,684,597	2,885,392
CURRENT LIABILITIES			
Trade and bills payables	*14*	**2,162,885**	1,646,893
Other payables and accruals	*15*	**2,012,269**	1,915,400
Due to an associate		**2,675**	—
Interest-bearing bank and other borrowings		**6,127,288**	4,861,642
Tax payables		**103,237**	176,952
		10,408,354	8,600,887
NET CURRENT LIABILITIES		**(7,723,757)**	(5,715,495)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(583,515)**	2,162,199

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,870,716**	3,555,927
Deferred income		**133,759**	150,165
Deferred tax liabilities		**10,773**	9,561
Convertible bonds		**971,771**	913,070
		2,987,019	4,628,723
NET LIABILITIES		**(3,570,534)**	(2,466,524)
CAPITAL AND RESERVES			
Share capital	*16*	**639,900**	639,900
Reserves		**(4,087,781)**	(3,047,432)
Deficit attributable to owners of the Company		**(3,447,881)**	(2,407,532)
Non-controlling interests		**(122,653)**	(58,992)
TOTAL DEFICIT		**(3,570,534)**	(2,466,524)

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 Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, 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$1,299.2 million (2017: HK$890.3 million) for the year ended 31 December 2018 and as at that date, had net current liabilities of approximately HK$7,723.8 million (31 December 2017: HK$5,715.5 million) and net liabilities of approximately HK$3,570.5 million (31 December 2017: HK$2,466.5 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 17 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:

(a) 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 the Company, 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 on 26 March 2018, and it was proposed that the Group 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 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 and BOC have also explored the possibility of including the indebtedness of Changchun Dajincang Corn Procurement Co., Ltd. (長春大金倉玉米收儲有限公司) ("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 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 and Dajincang and the introduction of strategic investor(s) in order to strengthen the capital of the 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 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 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 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.

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 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 contracts as discussed in note 17 and the material uncertainty related to 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.

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

Reference is made to the Company's annual report for the year ended 31 December 2017 ("2017 Annual Report") and interim report for the six months ended 30 June 2018 ("2018 Interim Report"), the Company, together with Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group"), have been in discussion with a potential purchaser ("Potential Purchaser") 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"). 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 Group received an official document dated 28 April 2018 from the Changchun Safeguard Housing

Project Leading Group (長春市保障性安居工程領導小組) in which the Relevant Properties have been confirmed as part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Such policy is expected to speed up the process of the disposal of the Relevant Properties through shortened procedures and exemption of certain taxes. In addition, the Group received a land resumption prepayment in the amount of approximately RMB197.0 million from the Potential Purchaser in June 2018, which was paid via the Changchun Municipal Government, to secure the disposal of the Relevant Properties. The Group and the municipal government have jointly engaged a professional valuer to conduct the valuation of the Relevant Properties.

On 27 September 2018, the Changchun Safeguard Housing Project Leading Group held another meeting in which the site location and area of the Relevant Properties had been confirmed. As at the date of this announcement, the valuation of the Relevant Properties is still on-going. The Group is currently awaiting for an execution notice for the redevelopment under the PRC's Slum Redevelopment Policy granted by the Changchun Municipal Government. Depending on the availability of such execution notice and the agreement on the result of the valuation among the parties, it is currently expected that the auction for a portion of the Relevant Properties will take place in 2019. 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.

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

The Group has taken various measures to enhance the operational efficiency 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.

(d) Financial support from the indirect major shareholder

The Group has received a written confirmation dated 8 June 2018 from Nongtou, an entity controlled by the Jilin SASAC, an indirect major shareholder of the Company, that it would continue to provide financial support to the Group in the following 24 months on a going concern basis and undertake all the liabilities that might arise from the financial guarantee contracts as discussed in note 17. 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 1,200,000 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 332,000 MT of corn kernels from the subsidiaries of Nongtou which aggregately accounted for 16.5% 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 6.9% 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, 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 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 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	517,402	517,402
Financial assets included in prepayments, deposits and other receivables	570,889	570,889
Due from an associate	17,142	17,142
Pledged bank deposits	406,209	406,209
Cash and bank balances	304,362	304,362
	1,816,004	1,816,004

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 Construction 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 four (2017: 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 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 2018

	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	**2,710,478**	**1,794,851**	**1,121,227**	**31,170**	—	**5,657,726**
Intersegment	**180,487**	—	**55,573**	**5,287**	**(241,347)**	—
Revenue	**2,890,965**	**1,794,851**	**1,176,800**	**36,457**	**(241,347)**	**5,657,726**
Segment results	**(542,446)**	**(257,879)**	**(49,539)**	**(10,003)**	—	**(859,867)**
Bank interest income						**4,342**
Unallocated income						**220,078**
Unallocated expenses						**(166,628)**
Finance costs						**(565,040)**
Loss before tax						**(1,367,115)**
Income tax credit						**67,896**
Loss for the year						**(1,299,219)**

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)	—
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 income						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)

(b) Other segment information

Year ended 31 December 2018

	Upstream products *HK$'000*	**Amino acids** *HK$'000*	**Corn sweeteners** *HK$'000*	**Polyol chemicals** *HK$'000*	**Total** *HK$'000*
Capital expenditure	**78,947**	**46,509**	**16,897**	**2,188**	**144,541**
Depreciation	**232,174**	**192,888**	**45,707**	**9,580**	**480,349**
Amortisation of prepaid land lease payments	**10,360**	**8,080**	**3,486**	**671**	**22,597**
(Gain) Loss on disposal of property, plant and equipment, net *(note)*	**(1,390)**	**—**	**140**	**—**	**(1,250)**
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net	**(17,939)**	**—**	**—**	**—**	**(17,939)**
Write-down (Reversal of write-down) of inventories, net	**18,508**	**(3,545)**	**(2,521)**	**(73,952)**	**(61,510)**
Impairment (Reversal of impairment) of trade and bills receivables, net	**230**	**3,229**	**(11,157)**	**523**	**(7,175)**
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	**707**	**25,507**	**48**	**(53)**	**26,209**
Waiver of payables	**(8,877)**	**(18,121)**	**(1,188)**	**—**	**(28,186)**

Note: Gain on disposal of prepaid land lease payments and property, plant and equipment amounted to HK$155,622,000 and HK$7,793,000 respectively are included in unallocated income not attributable to any of the above segments.

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 of deposits paid for acquisition of property, plant and equipment	1,687	89	—	—	1,776
Write-down (Reversal of write-down) of inventories, net	26,232	5,704	(635)	(24,233)	7,068
Impairment (Reversal of impairment) of trade and bills receivables, net	2,494	43,748	(749)	182	45,675
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	(12,513)	(1,120)	727	(43)	(12,949)

(c) Geographical information

Revenue information based on locations of customers

	2018 ***HK$'000***	2017 *HK$'000*
The PRC	**4,480,721**	3,245,601
Asian, American regions and others	**1,177,005**	1,151,404
	5,657,726	4,397,005

Non-current assets information based on locations of assets

	2018	2017
	HK$'000	*HK$'000*
The PRC	**7,138,195**	7,853,566
Hong Kong	**2,047**	24,128
	7,140,242	7,877,694

(d) Information about major customers

No revenue from any customer individually amounted to 10% or more of the Group's 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	**5,657,726**	4,397,005

The revenue from contracts with customer 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	**4,342**	2,605
Government grants *(note)*	**39,771**	77,217
Amortisation of deferred income	**10,257**	10,077
Gain on disposal of prepaid land lease payments	**155,622**	67,219
Gain on disposal of property, plant and equipment, net	**9,043**	417
Foreign exchange gain, net	**16,074**	—
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net	**17,939**	—
Reversal of write-down of inventories, net	**13,631**	—
Reversal of impairment of trade and bills receivables, net	**7,175**	—
Reversal of impairment of prepayments, deposits and other receivables, net	**—**	12,949
Waiver of payables	**28,186**	—
Others	**19,590**	28,270
	321,630	198,754

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

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

	2018	2017
	HK$'000	*HK$'000*
Employee benefits expenses including Directors' remuneration:		
Wages and salaries	**381,748**	298,306
Pension scheme contributions	**72,564**	56,573
	454,312	354,879
Cost of inventories sold*	**5,395,144**	3,702,300
Depreciation	**480,349**	397,651
Amortisation of prepaid land lease payments	**22,597**	22,078
Auditor's remuneration	**5,500**	6,200
Impairment of property, plant and equipment, net	**—**	134,846
Impairment of intangible assets	**1,539**	—
Loss on revaluation of property, plant and equipment, net	**—**	2,870
(Reversal of impairment) Impairment of deposits paid for acquisition of property, plant and equipment, net	**(17,939)**	1,776
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	**26,209**	(12,949)
Research and development costs	**3,097**	10,567
(Reversal of impairment) Impairment of trade and bills receivables, net	**(7,175)**	45,675
Gain on disposal of prepaid land lease payments	**(155,622)**	(67,219)
Gain on disposal of property, plant and equipment, net	**(9,043)**	(417)
Foreign exchange difference, net	**(16,074)**	23,249
(Reversal of write-down) Write-down of inventories, net	**(61,510)**	7,068
Amortisation of deferred income	**(10,257)**	(10,077)
Amortisation of intangible assets	**9**	15
Corn subsidies, included in cost of sales	**(38,325)**	(142,352)
Operating lease payments in respect of office premises	**1,580**	460

* Cost of inventories sold includes employee benefits 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	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**394,783**	368,189
Finance costs for discounted bills receivables	**15,357**	778
Interest on financial guarantees given by Nongtou	**11,453**	—
Interest on payables to suppliers	**84,746**	30,555
Imputed interest on convertible bonds	**58,701**	55,156
	565,040	454,678

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 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	**2,337**	4,141
Overseas taxes *(note)*	**(70,883)**	—
	(68,546)	4,141
Deferred tax		
Origination and reversal of temporary differences, net	**650**	(162,900)
Income tax credit	**(67,896)**	(158,759)

Note: The amount represents the reversal of a provision for tax exposure for a subsidiary in Germany upon the completion of a tax audit conducted by the German tax authority during the year ended 31 December 2018.

8. DIVIDENDS

The Board 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$1,222,322,000 (2017: HK$837,491,000), and the weighted average number of ordinary shares in issue during the Year of 6,398,998,360 (2017: 6,398,998,360) shares.

As the assumed conversion of the convertible bonds has an anti-dilutive effect, the diluted loss per share was equal to the basic loss per share for the years ended 31 December 2018 and 2017.

10. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials	**467,968**	387,980
Finished goods	**277,525**	204,485
	745,493	592,465

11. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**940,904**	915,290
Bills receivables	**37,444**	31,627
	978,348	946,917
Loss allowance	**(404,081)**	(429,515)
	574,267	517,402

The Group normally allows credit terms of 30 to 90 days (2017: 30 to 90 days) to established customers. An 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	**364,311**	321,131
1 to 2 months	**100,316**	131,801
2 to 3 months	**61,595**	53,886
3 to 6 months	**28,967**	8,856
Over 6 months	**19,078**	1,728
	574,267	517,402

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**314,187**	212,043
Deposits and other debtors	**77,682**	41,301
PRC value-added tax ("VAT") and other tax receivables	**158,882**	264,880
Receivables from disposal of assets *(note)*	**475,135**	529,588
	1,025,886	1,047,812

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$454,545,000 (2017: HK$481,928,000) at 31 December 2018. 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 page 29 of this announcement.

13. CASH AND CASH EQUIVALENTS

	2018	2017
	HK$'000	*HK$'000*
Cash and bank balances	**135,033**	304,362
Pledged bank deposits	**203,918**	406,209
	338,951	710,571
Less: pledged bank deposits for issuance of bills payables	**(203,918)**	(406,209)
Cash and cash equivalents	**135,033**	304,362

At the end of the reporting period, the cash and bank balances and pledged bank deposits of the Group denominated in Renminbi ("RMB") amounted to HK$242,676,000 (2017: HK$553,436,000). 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 pledged bank deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables		
— To third parties *(note (a))*	**1,484,899**	1,155,008
— To Nongtou Group *(note (b))*	**444,302**	114,271
	1,929,201	1,269,279
Bills payables	**233,684**	377,614
	2,162,885	1,646,893

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 balance payable to a State-Owned Supplier of HK$79.7 million (31 December 2017: Nil), which is unsecured and interest-bearing at 8.0% to 9.0% per annum after the credit periods lapsed.

Note (b): The trade payables to the subsidiaries of Nongtou are unsecured and interest-bearing at 8.0% to 12.0% per annum after the credit periods lapsed.

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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**738,933**	488,446
1 to 2 months	**359,794**	111,137
2 to 3 months	**131,550**	139,354
Over 3 months	**932,608**	907,956
	2,162,885	1,646,893

15. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Accruals for employee benefits	**265,989**	256,092
Advances received for relocation *(note (a))*	**428,409**	216,867
Payables for purchases of machinery	**143,037**	164,023
Receipts in advance *(note (b))*	**177,179**	238,479
Payables to Nongtou Group *(note (c))*	**463,879**	481,043
VAT and other duties payables	**125,728**	135,889
Accruals and other creditors	**408,048**	423,007
	2,012,269	1,915,400

Note (a): The balance represents advances from the Potential Purchaser, received through a government bureau in 2015 and 2018, for relocation of the Group's production facilities in Changchun.

Note (b): The balance represents the contract liabilities from contracts with customers within HKFRS 15 at the end of the reporting period and the movements (excluding those arising from increases and decreases both occurred within the same year) of the contract liabilities during the year are as follows:

	2018
	HK$'000
At 1 January	**238,479**
Recognised as revenue	**(224,929)**
Receipt of advances or recognition of receivables	**177,179**
Exchange realignment	**(13,550)**
At 31 December	**177,179**

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that were unsatisfied (or partially unsatisfied) at 31 December 2018 are part of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

Note (c): The payables represent advances from the subsidiaries of Nongtou and guarantee charge payables to Nongtou which are unsecured, interest-bearing at 3.5% to 10.0% per annum and repayable on demand.

16. SHARE CAPITAL

	2018	2017
	HK$'000	*HK$'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

17. FINANCIAL GUARANTEES CONTRACTS

Several subsidiaries of the Company have jointly provided corporate guarantees to a bank in the PRC in respect of banking facilities granted to Dajincang starting from 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 contracts. 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 contracts. During the Year, certain subsidiaries of the Company, as guarantors of the financial guarantee contracts, paid interest of HK$105.2 million (2017: HK$154.9 million) in respect of the bank borrowings of Dajincang, which was recorded in "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

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 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 30 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 2017 and 2018 (the "Financial Guarantee Contracts"). In addition, the indirect major shareholder 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 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017 and 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$7,723.8 million and HK$3,570.5 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$1,299.2 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 the 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.

(iii) Prepayments, deposits and other receivables

Included in the Group's prepayments, deposits and other receivables at 31 December 2018 was the remaining consideration receivable from a government bureau of HK$454.5 million (2017: 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 and 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017 and 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.

(iv) Other payables and accruals

Included in the Group's other payables and accruals at 31 December 2018 were advances from an independent third party, received through a government bureau in 2015 and 2018, in aggregate of HK$428.4 million (2017: 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 advances at 31 December 2017 and 2018. Therefore, we were unable to determine whether any adjustments to the advances at 31 December 2017 and 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017 and 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.

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 as detailed in the 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 2018 Interim Report, the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken as follows, which have been considered, recommended and agreed by the Audit Committee after its critical review of the management's position:

1. Financial guarantee contracts

As detailed in the 2017 Annual Report, the previous supplier guarantees contracts ("Previous Supplier Guarantees") given by members of the Group for the benefit of Dajincang were not recognised in the Group's consolidated financial statements for the year ended 31 December 2017 because the professional valuer could not proceed with the valuation, as the Company was unable to obtain reliable financial information of Dajincang for professional valuer to conduct an accurate valuation. During the Year, as the Company was still not able to obtain such information despite continuous enquiries and requests made to Dajincang, the Company and the valuer were not able to conduct a valuation of the Previous Supplier Guarantees for financial reporting purpose.

As disclosed in the joint announcement of the Company and GSH dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the loan ("Previous Supplier Loan") advanced by BOC to Dajincang under certain loan agreements entered into between Dajincang and BOC ("Previous Supplier Loan Agreements") with an aggregate principal amount of RMB2.49 billion had 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 all indebtedness due and owing to BOC ("New Supplier Loan"). As a condition to the New Supplier Loan, new supplier guarantees ("New Supplier Guarantees") to be granted by certain subsidiaries of the Company 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 paid HK$105.2 million (2017: HK$154.9 million) for the repayment of finance costs to BOC pursuant to the Previous Supplier Guarantees, which was included in other expenses for the Year.

During the Year, the Group has continued to negotiate with BOC to release the Group from the New Supplier Guarantees 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 New Supplier Guarantees as at the date of this announcement. Nevertheless, the Group will continue to find solutions to release the Group from its obligations under the New Supplier Guarantees.

As disclosed in the 2018 Interim Report, Mr. Yuan Weisen, the chairman of the Company, met with the representatives of BOC on behalf of the Group on 26 March 2018, and it was proposed that the Group 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 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 Company 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 New Supplier Guarantees, 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 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 and Dajincang and the introduction of strategic investor(s) in order to strengthen the capital of the 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 progress of the Further Revised Debt-Equity Swap Proposal, please refer to point (a) in note 2.2.

2. Material uncertainty related to going concern

As detailed in the 2017 Annual Report, the Auditor has raised fundamental uncertainties relating to the going concern of the Group, save as the remedial actions disclosed in the 2017 Annual Report, the management has taken and will take steps as outlined in note 2.2 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, 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. Please refer to note 2.2 for details. In addition, in relation to financial support from the indirect major shareholder, 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 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.

3. Prepayments, deposits and other receivables

As detailed in the 2017 Annual Report, the Group shall receive an aggregate compensation of RMB719.0 million from the Changchun Land Reserve Centre (長春市土地儲備中心) ("Land Reserve Centre") for the resumption of certain buildings, machineries and fixtures erected on a piece of land in Changchun, the PRC. As at 31 December 2018, a receivable from the Land Reserve Centre amounting to RMB400.0 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 2018 were necessary.

Based on the understanding of the management of the Company, the outstanding receivable of RMB400.0 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 receivable of RMB400.0 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 receivable of RMB400.0 million. In addition, during the Year, the Group has received an official document dated 28 April 2018 from the Changchun Safeguard Housing Project Leading Group in which the Relevant Properties have been confirmed as part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Such policy is expected to speed up the process of the disposal of the Relevant Properties through shortened procedures and exemption of certain taxes.

In addition, the Group has received a land resumption prepayment in the amount of approximately RMB197.0 million from the Potential Purchaser in June 2018, which was paid via the Changchun Municipal Government, to secure the disposal of the Relevant Properties. The Group and the municipal government have jointly engaged a professional valuer to conduct the valuation of the Relevant Properties.

On 27 September 2018, the Changchun Safeguard Housing Project Leading Group held another meeting in which the site location and area of the Relevant Properties had been confirmed. As at the date of this announcement, the valuation for the Relevant Properties is still on-going. The Group is currently awaiting for an execution notice for the redevelopment under the PRC's Slum Redevelopment Policy granted by the Changchun Municipal Government. Depending on the availability of such execution notice and the agreement on the result of the valuation among the parties, it is currently expected that the auction for a portion of the Relevant Properties will take place in 2019.

Upon the materialisation of the disposal of the Relevant Properties to the Potential Purchaser, it is expected that the outstanding receivable of RMB400.0 million will be recovered accordingly.

4. **Other payables and accruals**

As detailed in the 2017 Annual Report, the Potential Purchaser agreed to advance funding 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 and such advance payment in aggregate of RMB377.0 million was received by the Group in 2015 and 2018 from the Changchun Municipal Government directly. Such amount would be deducted from the proceeds of the sale of Relevant Properties subsequent to the completion of the sale. The amount was recorded as other payables and accruals in the consolidated financial statements of the Group in 2015. The Auditor has arranged confirmation in order to obtain sufficient appropriate audit evidence to verify the balance of the advance payment and the management of the Company had also helped follow up on the return of the confirmation. However, the Auditor was unable to obtain direct confirmation from the Potential Purchaser or any sufficient appropriate audit evidence to verify the balance of the advance payment at 31 December 2018.

Similar to the view as outlined in (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 serves as a feedstock which breaks 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, despite the continuous effort of the state government to stimulate economic growth of the PRC, the trade war between the PRC and the US added uncertainties to the overall economic environment in the PRC. Economic growth rate in the PRC slowed down to 28-year low 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 for the Year was under pressure.

Global corn production for year 2018/19 is estimated at 1,100 million MT (2017/18: 1,076 million MT), according to the estimates from the United States Department of Agriculture. As for corn consumption, demand for corn has been strong as driven by corn-based ethanol in the US as well as in the PRC. On the other hand, due to the trade war, the PRC has reduced the purchase of US corn significantly and bought from Latin American countries instead. However, as the production output of major corn producing countries in Latin America such as Brazil and Argentina dropped, the supply of corn for export markets has tightened up. Consequently, the international corn price was driven up 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, corn harvest in 2018/19 produced approximately 257 million MT (2017/18: approximately 259 million MT). Consumption volume in 2018 was approximately 263 million MT. As a result, domestic corn price increased by 27.2% year-on-year. As it is expected that with 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 outlook on the upstream corn refinery industry is prudently optimistic. As for feed related industry such as the Group's other corn refined products and amino acids, their performances will depend on the government's control over the outbreak of ASF and the macro economic environment going forward.

With respect to the Group's lysine business, the outbreak of ASF across the country had a great impact on the husbandry industry, especially in the second half of the Year. As a huge number of swine were slaughtered and quarantined to control the spread of ASF, the demand for lysine products reduced significantly. In addition, the Russian ban on the import of lysine products from various manufacturers in the PRC has intensified domestic competition. The overall utilisation rate of the lysine manufacturers in the PRC was kept low during the Year. During the Year, lysine prices were maintained at a range of RMB8,000 to RMB10,000 per MT. The increased corn cost has also posed pressure on the profit margins of the Group's amino acid products. In light of the challenging market sentiment, the management has been optimising the facility utilisation in response to market changes during the Year. Despite this, the gross profit of the Group's lysine segment was squeezed to approximately HK$30.1 million for the Year (2017: HK$361.5 million).

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 from 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 has become a reference point for the pricing 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 sweetener products remained relatively 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.

The operating environment has been challenging 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 operational efficiency in response to market moves. Internally, the Group is backed by its indirect major 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.

FINANCIAL PERFORMANCE

The consolidated revenue of the Group increased by approximately 28.7% to approximately HK$5,657.7 million (2017: HK$4,397.0 million) during the Year, which was mainly attributable to the increase in sales volume by 33.5% as a result of the resumption of Harbin production facilities since the end of 2017 and the completion of relocation and commencement of the sweeteners production facilities in the Xinglongshan site. However, due to changes in the agricultural subsidy policy of the provincial governments, the corn procurement subsidies the Group was entitled to substantially lower as compared to last year. Consequently, the corn procurement subsidies the Group was entitled to for the Year decreased by 73.1% to approximately HK$38.3 million (2017: HK$142.4 million). On the other hand, the Group's purchase price of corn kernels increased by 31.6% during the Year. The combined effect of the above has driven up the average cost of sales of the upstream products and amino acid products by 17.3% and 24.5% respectively, while the average selling price of the Group's upstream products and amino acids increased by only 10.3% and 4.8% respectively during the Year.

As a result, the Group's gross profit and gross profit margin decreased by 57.4% and 9.3 percentage point respectively to approximately HK$259.7 million (2017: HK$609.0 million) and 4.6% (2017: 13.9%). Together with the significant increase in selling expenses and high debt level of the Group, the Group recorded a net loss of HK$1,299.2 million (2017: HK$890.3 million) and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of HK$299.1 million (2017: HK$174.6

million) during the Year. To improve the financial performance and financial position of the Group, the management focuses its efforts on 1) accelerating the relocation of the production facilities from Luyuan District, Changchun to the Xinglongshan site in order to free up the land for disposal and to optimise operational efficiency in the Xinglongshan site; 2) actively negotiating with banks on the debt-equity swap proposal and other alternatives to lower the debt level of the Group; and 3) ensuring a stable supply of corn kernels through the connections of Nongtou by entering into the corn procurement contracts.

Upstream products

(Revenue: HK$2,710.5 million (2017: HK$1,476.9 million))
(Gross profit: HK$43.3 million (2017: HK$109.8 million))

During the Year, the revenue of the Group's upstream business increased by 83.5% to approximately HK$2,710.5 million (2017: HK$1,476.9 million) as a result of resumption of upstream corn-refinery in Harbin since the end of 2017. On the other hand, the increase in the price of corn kernels by 31.6% and the changes in the corn procurement subsidy programme during the Year have raised the Group's cost of sales of the upstream products substantially. As a result, the gross profit of the Group's upstream business for the Year was squeezed to approximately HK$43.3 million (2017: HK$109.8 million).

Sales volume of corn starch and other corn refined products were approximately 687,000 MT (2017: 363,000 MT) and 471,000 MT (2017: 333,000 MT) respectively. Internal consumption of corn starch was approximately 88,000 MT (2017: 56,000 MT), which was mainly used as raw material for the Group's downstream production.

Due to the increase in the cost of corn kernels, the cost of sales per MT of corn starch and other corn refined products increased by 19.6% and 15.7% respectively. During the Year, the average selling price of corn starch increased by 18.4%. As a result, the gross profit margin of corn starch segment slightly decreased to 12.3% (2017:13.1%). However, as for other corn refined products, the unfavourable market condition has dragged down the average selling price by 3.2% during the Year. Consequently, the other corn refined products segment recorded a gross loss margin of 18.5% (2017: gross profit margin: 0.8%).

Amino acids

(Revenue: HK$1,794.9 million (2017: HK$2,101.5 million))
(Gross profit: HK$30.1 million (2017: HK$361.5 million))

The amino acids segment consists of lysine, protein lysine and threonine products. During the Year, the amino acids segment recorded a revenue of approximately HK$1,794.9 million (2017: HK$2,101.5 million), representing 31.7% (2017: 47.8%) of the Group's revenue. Due to the impact of ASF, the sales volume of amino acids decreased by 69,000 MT to 303,000 MT (2017: 372,000

MT), and the average selling price of amino acids was under pressure. Along with the cost pressure from the upstream segment, the gross profit of amino acids segment was squeezed significantly to approximately HK$30.1 million (2017: HK$361.5 million), with a gross profit margin of 1.7% (2017: 17.2%) during the Year. Since it is expected that the effect of ASF will linger for a while, the outlook on feed related industry will be challenging going forward. Based on industry estimates, the consumption of soybean meal by swine husbandry sector has dropped by 12% in two consecutive months since November 2018, such decrease was further accelerated to 15%-20% in February 2019 – indicating a decreased swine population by at least 30% in 2019. While the global trade war will continue to add uncertainty to the global and domestic demand for feed and meat products, the Group's research and development team will strive to dedicate its effort to lower production cost, at the same time proactively look for opportunities to develop other amino acid products complementary to the current product mix of the Group and to cater to different types of animals. 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, to offer more choices and better services to its customers.

Corn sweeteners

(Revenue: HK$1,121.1 million (2017: HK$810.5 million))
(Gross profit: HK$170.6 million (2017: HK$130.1 million))

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

During the Year, with the completion of relocation and commencement of the sweetener production facilities in the Xinglongshan site, the sales volume of corn sweeteners increased by 18.5% to approximately 372,000 MT (2017: 314,000 MT), with revenue increased by 38.3% to approximately HK$1,121.1 million (2017: HK$810.5 million). However, as the cost pressure from the upstream segment passed on to the downstream operation, the gross profit margin of the corn sweeteners segment dropped by 0.9 percentage point to approximately 15.2% (2017: 16.1%). Nevertheless, due to the increased sales volume, the gross profit of corn sweeteners increased by 31.1% to approximately HK$170.6 million (2017: HK$130.1 million) during the Year.

Despite sugar price continued to drop during the Year, the corn sweeteners business is expected to remain stable with stable demand from customers. As the macro environment is expected to be challenging in 2019, the Group will closely monitor market movements and adjust its production volume and product mix to cater to customer needs.

Polyol chemicals

(Revenue: HK$31.2 million (2017: HK$8.1 million))
(Gross profit: HK$15.7 million (2017: HK$7.6 million))

Polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. 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 digest its polyol chemicals inventory.

During the Year, due to the increase in demand for anti-freeze products, the revenue of polyol chemicals segment increased by 285.2% to approximately HK$31.2 million (2017: HK$8.1 million). Although substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years, the polyol inventory kept in the Group's storage over the years required additional processing in order to revive them to saleable condition. During the Year, the polyol chemicals segment recorded a gross profit of approximately HK$15.7 million (2017: HK$7.6 million) and the gross profit margin decreased to 50.3% (2017: 93.8%) as additional cost was incurred for processing.

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 20.8% (2017: 26.2%) of the Group's total revenue. The export sales of upstream products and corn sweeteners increased by 70.2% and 311.6% to approximately HK$269.5 million (2017: HK$158.3 million) and HK$49.8 million (2017: HK$12.1 million) respectively during the Year. Such increase was attributable to the increase in export sales volume of upstream products and corn sweeteners by 46.7% and 220.0% to approximately 132,000 MT (2017: 90,000 MT) and 16,000 MT (2017: 5,000 MT) respectively. As for the amino acid products, since the outbreak of ASF had an impact on the domestic market, most of the lysine manufacturers have put more effort in exploring the overseas market. As a result, competition was keen in the overseas market. Consequently, the export sales of amino acids decreased by 12.6% to approximately HK$857.7 million (2017: HK$980.9 million) during the Year, which was mainly attributable to the decrease in export volume. No export sales of polyol chemicals was recorded during the Year (2017: HK$0.1 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 61.8% to approximately HK$321.6 million (2017: HK$198.8 million). Such increase was mainly attributable to the increase in gain on disposal of Hong Kong office, which amounted to approximately HK$163.4 million.

Selling and distribution costs

During the Year, the selling and distribution costs increased by 46.7% to approximately HK$584.1 million (2017: HK$398.2 million), accounting for 10.3% (2017: 9.1%) of the Group's revenue. Such increase was mainly attributable to the increase in total sales volume by 33.5% as a result of the resumption of production in the Harbin site and the commencement of the sweeteners production facilities in the Xinglongshan site.

Administrative expenses

During the Year, administrative expenses increased by 4.7% to approximately HK$439.2 million (2017: HK$419.5 million), representing 7.8% (2017: 9.5%) of the Group's revenue. As revaluation work has been done on buildings of the Group for administrative use in the PRC at the end of 2017 where value of these buildings have appreciated, additional depreciation expenses were recognised during the Year.

Other expenses

During the Year, other expenses decreased by 38.4% to HK$360.1 million (2017: HK$584.4 million). These expenses mainly consists of expenses in relation to idle capacity of certain production facilities of the Group which amounted to HK$179.7 million, impairment of prepayments, deposits and other receivables of HK$26.2 million and payment of HK$105.2 million for the repayment of finance costs to BOC pursuant to the Previous Supplier Guarantees. The decrease in other expenses was mainly attributable to certain one-off expenses in 2017 including impairment of property, plant and equipment in certain PRC subsidiaries amounted to HK$134.9 million.

Finance costs

During the Year, finance costs of the Group increased by 24.3% to approximately HK$565.0 million (2017: HK$454.7 million), which was mainly attributable to the increase in interest on payables to suppliers amounted to HK$84.7 million (2017: HK$30.6 million).

Income tax credit

Due to the reversal of a provision for tax exposure for a subsidiary in Germany of approximately HK$70.9 million during the Year (2017: Nil) and certain subsidiaries in the PRC generated net profit so a PRC enterprise income tax of approximately HK$2.3 million (2017: HK$4.1 million) was recognised. As a result, the Group recorded income tax credit of approximately HK$67.9 million (2017: HK$158.8 million) during the Year.

Loss shared by non-controlling shareholders

During the Year, GSH and other non-wholly-owned subsidiary recorded a loss of approximately HK$199.5 million (2017: HK$169.1 million), leading to loss shared by the non-controlling interests amounted to approximately HK$76.9 million (2017: HK$52.8 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2018 decreased by approximately HK$419.6 million to approximately HK$7,998.0 million (31 December 2017: HK$8,417.6 million). The change in total borrowings included a decrease of approximately HK$513.5 million as a result of exchange rate adjustment as at 31 December 2018. On the other hand, the cash and bank balances and pledged bank deposits as at 31 December 2018 decreased by approximately HK$371.6 million to approximately HK$339.0 million (31 December 2017: HK$710.6 million). As a result, the net borrowings decreased only slightly to approximately HK$7,659.0 million (31 December 2017: HK$7,707.0 million).

Structure of interest-bearing borrowings

As at 31 December 2018, the Group's interest-bearing borrowings amounted to approximately HK$7,998.0 million (31 December 2017: HK$8,417.6 million), all of the interest-bearing borrowings were denominated in Renminbi (2017: approximately 0.2% were denominated in Hong Kong dollars and 99.8% were denominated in Renminbi). The average interest rate during the Year was approximately 6.2% (2017: 5.0%).

The percentage of interest-bearing borrowing wholly repayable within one year and in the second to the fifth years were 76.6% and 23.4% (31 December 2017: 57.8% and 42.2%), respectively. As at 31 December 2018, interest-bearing bank and other borrowings amounted to approximately RMB453.0 million (31 December 2017: RMB449.0 million) have been charged at fixed interest rates ranging from 6.0% to 13.6% (31 December 2017: 3.9% to 8.0%) 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 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 which may be converted into 4,722,954,631 conversion shares of the Company based on the initial conversion price of HK$0.23 (subject to adjustment) per share 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 2018, the Convertible Bonds was divided into liability component and equity component which amounted to HK$971.8 million and HK$290.6 million (31 December 2017: HK$913.1 million and HK$290.6 million) respectively and effective imputed interest of HK$58.7 million (2017: HK$55.2 million) was charged during the Year.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Year, trade receivables turnover days decrease to approximately 37 days (31 December 2017: 43 days) due to the strengthened control on credit terms. Meanwhile, the trade payables turnover days decreased to approximately 129 days (31 December 2017: 154 days) during the Year, as the Group has been actively negotiating with creditors on repayment plans mutually-agreed among the parties. As the Group's inventory increased by 25.8% to HK$745.5 million (31 December 2017: HK$592.5 million), the inventory turnover days decreased to 50 days (31 December 2017: 57 days).

As at 31 December 2018, the current ratio of the Group remained at 0.3 (31 December 2017: 0.3) and the quick ratio decreased to 0.2 (31 December 2017: 0.3), which was mainly due to the increase in current portion of interest bearing bank and other borrowings by approximately HK$1,265.6 million. The Group recorded a net loss of approximately HK$1,299.2 million (2017: HK$890.3 million) during the Year leading to the recorded net liabilities value of approximately HK$3,570.5 million (31 December 2017: HK$2,466.5 million). As a result, gearing ratio in terms 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 180.6% (31 December 2017: 141.4%). To improve the financial position of the Group, the Company has adopted several strategic measures as mentioned in note 2.2.

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 20.8% 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 of the Group. 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 dispute on the interests in the Company

During the Year, 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$109.4 million, together with loss of dividends and interest in respect thereof, as well as costs and other relief. The Company applied for a striking out application of the Claim. A hearing session took place on 1 November 2018 and the court has granted the Company its application to strike out the Plaintiff's claim on 30 November 2018 and a court order against the Plaintiff to repay the Company's legal costs. No appeal application had been made by the Plaintiff and as such, the Claim has been finally struck out.

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

Deemed disposal of equity interests in a subsidiary

Reference is made to the announcement dated 4 May 2018 and the circular dated 14 June 2018 of the Company. A capital increase agreement dated 4 May 2018 (the "Capital Increase Agreement") was entered into between 長春大成生物科技開發有限公司 ("Dacheng Bio-tech"), 長春大成實業集團有限公司("Dacheng Industrial") and 吉林省現代農業產業基金有限公司("GP"), the general partner of 吉林省現代農業產業投資基金 (Jilin Province Modern Agricultural Industry Investment Fund (LLP)*) ("PRC LLP"). PRC LLP is the holder of the entire equity interest of Modern Agricultural Industry Investment Holdings Limited, which in turn is the holder of the entire equity interest of Modern Agricultural. Pursuant to the Capital Increase Agreement, Dacheng Industrial and GP shall become shareholders of 長春鴻成生物化工材料技術開發有限公司(Changchun Hongcheng Biotechnology Development Co., Ltd.*) ("JV Company"), which is currently wholly-owned by Dacheng Bio-tech. Dacheng Bio-tech shall make further contribution of RMB77,950,000, Dacheng Industrial shall make contribution of RMB10,050,000 and GP shall make contribution in cash of RMB60,000,000. Upon completion of the relevant capital contribution, the JV Company shall be owned as to 53.3% by Dacheng Bio-tech, 6.7% by Dacheng Industrial and 40.0% by GP respectively. The Capital Increase Agreement was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 3 July 2018. For more information, please refer to the circular of the Company dated 14 June 2018.

The Capital Increase Agreement shall only become effective upon the satisfaction (or waiver by all parties or by Dacheng Industrial and GP in writing) of several conditions. As announced by the Company on 18 December 2018, as the conditions precedent to the obligations of Dacheng Industrial and GP to make Capital Contribution have not been fully fulfilled or waived, Dacheng Bio-tech, Dacheng Industrial and GP have mutually agreed to terminate the Capital Increase Agreement. Accordingly, on 18 December 2018, Dacheng Bio-tech, Dacheng Industrial and GP entered into a termination agreement to terminate the Capital Increase Agreement with effect from the date thereof.

Disposal of office in Hong Kong

Reference is made to the announcement dated 29 May 2018 and the circular dated 5 July 2018 of the Company. A subsidiary of the Company, Bio-chem Technology (HK) Limited ("Bio-chem (HK)") entered into the provisional agreement for sale and purchase ("Provisional Agreement") with the purchaser (the "Purchaser"), pursuant to which the Bio-chem (HK) had agreed to sell and the Purchaser had agreed to purchase the Group's office in Hong Kong ("Property") at the consideration of HK$184,849,800, subject to and upon the terms of the Provisional Agreement. The consideration was arrived at after arm's length negotiation between the Purchaser and Bio-chem (HK), having considered the market value of the commercial property nearby, as well as the market value of the Property of HK$180,000,000 as at 31 May 2018 based on the independent valuation of the Property prepared by a professional valuer. The disposal was approved by the shareholders of the Company by way of poll at the extraordinary general meeting of the Company held on 26 July 2018. The formal sale and purchase agreement for the sale and purchase of the Property was signed on 17 July 2018 and completion took place on 21 September 2018.

New master supply agreement for the procurement of corn kernels and master sales agreement for the sales of corn starch and other products

Reference is made to the announcement dated 12 September 2018 and the circular dated 25 October 2018 of the Company, in relation to enter into a new master supply agreement (the "New Master Supply Agreement") and a master sales agreement (the "Master Sales Agreement") by the Company and Nongtou for the supply of corn kernels by Nongtou Group to members of the Group and the Group agrees to supply corn starch and other corn-based products such as corn gluten meal, corn fibre, corn oil, corn germ meal, corn sweeteners and amino acid products ("Corn Starch and Other Products") to members of the Nongtou Group on an ongoing basis.

Pursuant to the New Master Supply Agreement, the Company appointed Nongtou as one of its suppliers for corn kernels and Nongtou agrees to supply corn kernels to members of the Group. The New Master Supply Agreement shall become effective from 14 November 2018 and expire on 31 December 2020 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 New Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with members of the Nongtou Group from time to time during the term of the New Master Supply Agreement for the purpose 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 New Master Supply Agreement, at pricing terms and otherwise on terms in compliance with those set out in the New Master Supply Agreement.

The Company expects that the annual caps in respect of the transactions contemplated under the New Master Supply Agreement will be HK$506,000,000, HK$2,453,000,000 and HK$3,158,000,000 for each of the three years ending 31 December 2020, respectively. The above annual caps are prepared on the basis of multiplying the estimated price of the corn kernels per MT by the estimated quantity to be purchased, plus the inflation rate in the PRC of 3.0% annual growth rate of the unit price of corn kernels. The estimated quantity for the purchase of corn kernels is based on the purchase volume of corn kernels during the six months ended 30 June 2018, the estimated future production output of the Group for 2018 to 2020 and the purchase plan of the Nongtou Group.

Pursuant to the Master Sales Agreement, Nongtou appointed the Company as one of its suppliers for Corn Starch and Other Products and the Group agrees to supply Corn Starch and Other Products to members of the Nongtou Group. The Master Sales Agreement shall become effective from 14 November 2018 and expire on 31 December 2020 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 Sales Agreement, members of the Nongtou Group shall enter into purchase orders or sales contracts with members of the Group from time to time during the term of the Master Sales Agreement for the purpose of confirming the purchase of Corn Starch and Other Products by the relevant members of the Nongtou 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 (if there is any delay in payment by the purchaser, interest rate of interest chargeable by the supplier shall not be lower than (a) the payment overdue interest rate charged by the Group to independent third parties from time to time; and (b) the payment overdue interest rate charged by the purchaser to the Group in other transactions), 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 Sales Agreement, at pricing terms and otherwise on terms in compliance with those set out in the Master Sales Agreement.

The Company expects that the annual caps in respect of the transactions contemplated under the Master Sales Agreement will be HK$447,000,000, HK$2,052,000,000 and HK$2,642,000,000 for each of the three years ending 31 December 2020, respectively. The above annual caps have been determined with reference to (i) the estimated demand of the Nongtou Group for the Corn Starch and Other Products as contemplated to be sold under the Master Sales Agreement; and (ii) the historical amount of sales of Corn Starch and Other Products to independent third parties by the Group for the six months ended 30 June 2018.

As Nongtou is interested in 49% of the entire issued share capital of the Company through its control in PRC LLP, which indirectly holds the entire issued share capital of Modern Agricultural, Nongtou is a connected person of the Company. Accordingly, the transactions contemplated under the New Master Supply Agreement and Master Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The New Master Supply Agreement and Master Sales Agreement and the related annual caps were approved by the shareholders by way of poll at the extraordinary general meeting held on 14 November 2018.

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

Reference is made to the joint announcements of the Company and GSH 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 GSH Group to the Group (the "Transaction") and the joint announcement of the Company and GSH dated 12 March 2019, in relation to the termination of the Transaction. The relevant member of the GSH 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 GSH Group. While no consensus for alternative solution can be reached between the relevant member of the GSH Group and the relevant bank, both the Group and the GSH 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 of the Group and the GSH Group.

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 GSH dated 6 November 2018 and the circular of the Company dated 3 December 2018 in relation to the provision of the 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" 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 GSH 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 GSH, 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 12-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 GSH and certain members of the GSH 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 GSH 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 GSH 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 GSH 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 GSH 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 GSH 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 GSH 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 GSH dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the previous loan advanced by BOC to Dajincang 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 several members of the Group and GSH Group to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The maximum principal amount guaranteed under the New Supplier Guarantees 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 New Supplier Guarantees in its interim and annual reports during the relevant periods when the New Supplier Guarantees 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 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 the operating environment, the Group has reviewed the relocation projects and revised the feasibility studies for submission to, among others, the relevant government bodies for approval. As such, the expected time for relocation of production facilities 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	Tentatively to be completed by 2020
Modified starch — food grade (phase 1)	the Xinglongshan site	20,000	June 2019 – May 2020
Modified starch (phase 2)	the Xinglongshan site	60,000	December 2019 – October 2020
Corn oil	the Xinglongshan site	63,000	June 2019 – May 2020
Lysine	the Xinglongshan site	100,000	June 2019 – May 2020

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)*
Corn refinery	Dehui City of Changchun	600,000	June 2019 – May 2020
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000	June 2019 – May 2020

Note: The expected time for relocation of production facilities are subject to the final decision of the management from time to time, 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 as and when appropriate.

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 operational efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2018, the Group had approximately 4,600 (2017: 4,900) 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.

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 2018 (2017: Nil).

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. Mr. Kong Zhanpeng has resigned as the chief executive officer of the Company with effect from 1 October 2018 and no replacement has yet been made after his resignation.

Mr. Wang Guicheng has been appointed as the chief operating officer and responsible for overseeing the Company's operation management and product development of the Group with effect from 29 December 2018.

Ms. Chiu Lai Ling, Shirley has resigned as an independent non-executive Director with effect from 1 October 2018 as she wishes to focus on other business and personal affairs. Following her resignation as an independent non-executive Director, she also ceased as a member of the Audit Committee, and the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the corporate governance committee (the "Corporate Governance Committee") of the Company with effect from 1 October 2018 and upon the resignation of Ms. Chiu, the Company only had two independent non-executive Directors and two members of the Audit Committee which falls below the minimum number required under rule 3.10(1) and rule 3.21 of the Listing Rules. In addition, the Remuneration Committee did not comprise a majority of independent non-executive Directors which failed to meet the requirement under rule 3.25 of the Listing Rules. Subsequently, on 21 December 2018, Mr. Zhao Jin was appointed as an independent non-executive Director and a member of the Audit Committee, a member of the Remuneration Committee, a member of the Nomination Committee and a member of Corporate Governance Committee.

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 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. Ng Kwok Pong (the chairman of the committee), Mr. Yeung Kit Lam and Mr. Zhao Jin.

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, 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 2018 annual general meeting 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 11:30 a.m.. Notice of the 2018 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 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 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 Thursday, 16 May 2019.

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 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, ("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 2019

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; one non-executive Director, namely, Ms. Liang Wanpeng; and three independent non-executive Directors, namely Mr. Ng Kwok Pong, Mr. Yeung Kit Lam and Mr. Zhao Jin.