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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Change %
Revenue (HK$'Mn)	**1,957**	1,961	(0.2%)
Gross profit (HK$'Mn)	**208**	203	2.4%
Loss before tax (HK$'Mn)	**(180)**	(205)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(163)**	(208)	N/A
Basic loss per share (HK cents)	**(10.6)**	(13.7)	N/A
Proposed final dividend per share (HK cents)	—	—	N/A

* *For identification purposes only*

The board (the "Board") of directors (the "Directors") of Global Sweeteners Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (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 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*4*	**1,956,820**	1,961,004
Cost of sales		**(1,749,180)**	(1,758,173)
Gross profit		**207,640**	202,831
Other income and gains	*4*	**18,371**	20,374
Selling and distribution costs		**(180,386)**	(188,649)
Administrative expenses		**(111,807)**	(109,323)
Other expenses		**(38,120)**	(56,179)
Finance costs	*6*	**(75,672)**	(74,540)
LOSS BEFORE TAX	*5*	**(179,974)**	(205,486)
Income tax credit (expenses)	*7*	**17,404**	(3,010)
LOSS FOR THE YEAR		**(162,570)**	(208,496)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**11,657**	18,250
Items that will not be reclassified subsequently to profit or loss:			
Gain on properties revaluation	*10*	**70,544**	—
Income tax effect		**(17,636)**	—
		52,908	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**64,565**	18,250
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(98,005)**	(190,246)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(162,570)**	(208,496)
Non-controlling interests		**—**	—
		(162,570)	(208,496)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(98,142)**	(190,618)
Non-controlling interests		**137**	372
		(98,005)	(190,246)
LOSS PER SHARE	*9*		
Basic		**HK(10.6) cents**	HK(13.7) cents
Diluted		**HK(10.6) cents**	HK(13.7) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**806,693**	798,859
Prepaid land lease payments		**—**	130,650
Right-of-use assets		**130,781**	—
Deposits paid for acquisition of property, plant and equipment		**225**	5,254
Intangible asset		**1,704**	1,704
		939,403	936,467
CURRENT ASSETS			
Inventories		**193,035**	255,041
Trade and bills receivables	*11*	**190,528**	204,724
Prepayments, deposits and other receivables	*12*	**45,188**	76,482
Pledged bank deposits		**—**	79,433
Cash and bank balances		**30,820**	20,120
		459,571	635,800
CURRENT LIABILITIES			
Trade and bills payables	*13*	**393,096**	446,957
Other payables and accruals		**253,740**	241,582
Lease liabilities		**2,309**	—
Interest-bearing bank and other borrowings		**762,526**	826,378
Due to fellow subsidiaries		**136,267**	120,577
Tax payables		**22,929**	24,324
		1,570,867	1,659,818
NET CURRENT LIABILITIES		**(1,111,296)**	(1,024,018)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(171,893)**	(87,551)

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**200,000**	182,954
Lease liabilities		**1,094**	—
Deferred income		**27,567**	31,955
Deferred tax liabilities		**10,857**	10,759
		239,518	225,668
NET LIABILITIES		**(411,411)**	(313,219)
CAPITAL AND RESERVES			
Share capital	*14*	**152,759**	152,759
Reserves		**(558,376)**	(460,047)
Deficit attributable to owners of the Company		**(405,617)**	(307,288)
Non-controlling interests		**(5,794)**	(5,931)
TOTAL DEFICIT		**(411,411)**	(313,219)

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners. There were no significant changes in the nature of the Group's principal activities during the Year.

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

2.1 BASIS OF PREPARATION

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

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as detailed in note 2.3 to the consolidated financial statements.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$162.6 million (2018: HK$208.5 million) for the Year and as at 31 December 2019, had net current liabilities of approximately HK$1,111.3 million (31 December 2018: HK$1,024.0 million) and net liabilities of approximately HK$411.4 million (31 December 2018: HK$313.2 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 15 granted by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("Dihao Foodstuff"), a subsidiary of the Company, for the benefit of 長春大金倉玉米收儲有限公司(Changchun Dajincang Corn Procurement Co., Ltd.*) ("Dajincang") may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the "Audit Committee") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

(1) Active negotiations with banks to obtain adequate bank borrowings and lower the debt ratio of the Group

As disclosed in the interim report of the Company for the six months ended 30 June 2019 (the "2019 Interim Report"), the management of the Company and GBT have been actively negotiating with the banks in the People's Republic of China (the "PRC" or "China") for their continuous support to the Group. The Further Revised Debt-Equity Swap Proposal has also been submitted to the Bank of China Jilin Province Branch ("BOC Jilin Branch") and the People's Government of Jilin Province which proposed, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group, the introduction of strategic investor(s) in order to strengthen the capital of the Group and other alternatives to resolve the audit modification in respect of the financial guarantee contracts, such as the option to include the indebtedness of Dajincang in the debt-equity swap proposal.

On 1 February 2019, a meeting amongst the representatives of the principal lending banks of the Group and the GBT Group in the PRC, 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province) (the "Jilin SASAC"), 吉林省地方金融監督管理局 (Jilin Province Local Financial Supervision Administration), 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.) ("Nongtou", together with its subsidiaries, the "Nongtou Group") (an entity controlled by Jilin SASAC and an indirect major shareholder of GBT) and the management of the Group and the GBT Group was held in Changchun, in which the parties acknowledged the direction of the Further Revised Debt-Equity Swap Proposal and reinstated their intention to push through the execution of such proposal. The principal lending banks also confirmed at the meeting that during this transitional period, they would continue their support to the Group and the GBT Group and agreed (1) not to withdraw any banking facilities already provided; (2) to take all possible measures to ensure the renewal of all existing bank borrowings; and (3) to allow interest payment to be settled annually instead of monthly so as to ease the pressure of the cash flow of the Group.

Subsequent to the meeting on 1 February 2019, the parties continued with the negotiation about the Further Revised Debt-Equity Swap Proposal and as disclosed in the joint announcement (the "February Joint Announcement") of the Company and GBT dated 25 February 2020, as a common understanding amongst the parties, the outstanding debts should be reclassified as non-performing assets of the principal lending banks to enable them to sell such debts to certain assets management companies at a relatively sharp discount as the first step of the debt restructuring plan. In mid-February 2020, the Company has been notified by BOC Jilin Branch that it has entered into a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) (the "New Creditor") pursuant to which BOC Jilin Branch has agreed to sell to the New Creditor, and the New Creditor has agreed to purchase, all of its rights and benefits of the loans with aggregate outstanding principal amount of approximately RMB4,016.5 million (the "Transferred Loans") which include among others, the loans of the Group in the amount of RMB198.6 million, together with the outstanding interest and the indebtedness of Dajincang that was guaranteed by certain subsidiaries of the Group and the GBT Group (the "Guarantor Subsidiaries") at a consideration of approximately RMB815.7 million.

After the completion of the transfer of the Transferred Loans, the management of the Group and the GBT Group will continue their discussion on the next step of the debt restructuring with the New Creditor, including but not limited to repurchase of the Transferred Loans and debt to equity swap with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GBT Group. The Board and the board of GBT (the "GBT Board") believe that once the Transferred Loans have been resolved by way of the debt restructuring plan as mentioned above, the other major outstanding debts could be resolved under similar debt restructuring plans.

The debt restructuring plan is also well-supported by the government. On 5 March 2020, an official document titled《關於商請各金融機構支持大成集團改革脱困化解債務風險的函》(Letter of Request to Financial Institutions to Support the Reform of the GBT Group to Resolve Risks Associated With Debts) was issued by the Jilin SASAC to all the relevant banks and financial institutions, in which it reiterated the debt restructuring and the stable operation of the Group have always been the priorities of both the provincial and municipal governments; and urged the other principal lending banks in Changchun to follow the debt restructuring plans of BOC Jilin Branch.

The Company, together with GBT, will endeavour to facilitate the materialisation of the debt restructuring. The Board and the GBT Board expect that the Group and the GBT Group would be able to resolve all the amounts due and owing under the Transferred Loans and the indebtedness of Dajincang by the end of the year ending 31 December 2020.

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

Reference is made to the joint announcement of the Company and GBT dated 2 March 2017 and the annual report of the Company for the year ended 31 December 2016. The Company and GBT have been in discussion with a potential purchaser (the "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"). 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.

The Group has received an official document dated 28 April 2018 from 長春市保障性安居工程領導小組 (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 Changchun Safeguard Housing Project Leading Group also confirmed the site location and area of the Relevant Properties at a meeting on 27 September 2018. An execution announcement for the redevelopment under the PRC's Slum Redevelopment Policy dated 30 October 2019 has also been issued by the Changchun Municipal Government. The GBT Group has received a land resumption prepayment in the amount of approximately RMB377.0 million from the Potential Purchaser which was subsequently recognised as the compensation for the resumption of the Relevant Properties pursuant to an agreement entered into between the GBT Group, the Potential Purchaser and Changchun Municipal Government in the last quarter of 2019 confirming that the Potential Purchaser and the Changchun Municipal Government were satisfied with the progress of the relocation.

A professional valuer has been jointly engaged by the Group, the GBT Group and the Changchun Municipal Government to conduct the valuation of the Relevant Properties. As at the date of this announcement, the valuation for the Relevant Properties is still on-going. The final result of the valuation will be one of the references to determine the final consideration which is subject to the agreement among the parties. It is currently expected that the realisation of a portion of the Relevant Properties will take place in 2020.

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.

(3) 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 optimised its production and suspended the operation of the downstream production in the Group's Jinzhou site in order to minimise operating cash outflows.

(4) Financial support from GBT indirect major shareholder

The Group has received a renewed written confirmation dated 30 June 2019 from Nongtou that it would continue to provide financial support to the Group and the GBT Group in the following 24 months on a going concern basis and undertake all the liabilities that might arise from the financial guarantee contracts as discussed in note 15. 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 500,000 metric tonnes ("MT") of corn kernels with the Nongtou Group in January 2019, to ensure a stable supply of corn kernels. During the Year, the Group purchased approximately 199,000 MT of corn kernels from the Nongtou Group which aggregately accounted for approximately 40.8% of total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 31 December 2019 amounted to approximately RMB2,102.0 million. It is tasked to consolidate the state-owned investments in the agricultural sector in the Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, to provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group and the GBT Group.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. The Directors proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group will have sufficient working capital 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.

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 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 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs	2015-2017 Cycle

Except for HKFRS 16 which is explained below, the adoption of the new/revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the Year and prior years.

HKFRS 16 "Leases"

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flows applying HKAS 7.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied for the periods from 1 January 2019 (i.e. the date of initial application) onwards and the cumulative impact of adoption of HKFRS 16 was recognised in equity at 1 January 2019.

The adjustments resulted from the initial application of HKFRS 16 at 1 January 2019 are set out below. The prior period amounts were not adjusted.

	31 December 2018 *HK$'000*	**Transfer** *HK$'000*	**Contract capitalisation** *HK$'000*	**1 January 2019** *HK$'000*
Assets				
Prepaid land lease payments	130,650	(130,650)	—	—
Prepayments, deposits and other receivables	7,422	(7,422)	—	—
Right-of-use assets	—	138,072	8,796	146,868
	138,072	—	8,796	146,868
Liabilities				
Lease liabilities	—	—	8,983	8,983
Deficit				
Accumulated losses	(1,983,273)	—	(187)	(1,983,460)

The reconciliation of operating lease commitments to lease liabilities is set out below:

	HK$'000
Operating lease commitments at 31 December 2018 and gross lease liabilities at 1 January 2019	9,355
Discounting	(372)
Lease liabilities at 1 January 2019	8,983

Modified retrospective application of HKFRS 16 requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 only to contracts that were previously identified as leases applying the superseded HKAS 17. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rates at the date of initial application. The weighted average incremental borrowing rate at the date of initial recognition ranged from 2.4% - 4.3%.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

2.4 NEW AND REVISED HKFRSs NOT YET ADOPTED

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

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 3	Definition of a Business[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 The effective date to be determined

Except for the amendments to HKFRS 3 and the amendments to HKFRS 10 and HKAS 28 which are explained below, the other new/revised HKFRSs are not expected to be relevant to the Group.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two (2018: three) reportable operating segments as follows:

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

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

The Group has ceased to be the sole distributor of the GBT Group for the marketing and sale of lysine, corn starch and other corn refined products of the GBT Group in the Huadong region in the PRC since the expiry of the distribution agreement on 31 December 2018. The trading segment has therefore suspended since then.

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 2019

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Total *HK$'000*
Segment revenue			
Sales to external customers	**1,038,430**	**918,390**	**1,956,820**
Intersegment sales	**192,455**	**101,967**	**294,422**
	1,230,885	**1,020,357**	**2,251,242**
Reconciliation:			
Elimination of intersegment sales			**(294,422)**
Revenue			**1,956,820**
Segment results	**(25,614)**	**(66,097)**	**(91,711)**
Reconciliation:			
Unallocated bank interest income			**427**
Corporate and other unallocated expenses			**(13,018)**
Finance costs			**(75,672)**
Loss before tax			**(179,974)**
Income tax credit			**17,404**
Loss for the year			**(162,570)**

(b) Other segment information

Year ended 31 December 2019

	Corn refined products *HK$'000*	Corn sweeteners *HK$'000*	Total *HK$'000*
Capital expenditure	**6,415**	**17,491**	**23,906**
Depreciation			
— Property, plant and equipment	**26,601**	**43,509**	**70,110**
— Right-of-use assets *(a)*	**3,679**	**5,779**	**9,458**
Loss on disposal of property, plant and equipment, net	**—**	**813**	**813**
Reversal of write-down of inventories, net	**(7)**	**—**	**(7)**
Reversal of impairment of trade and bills receivables, net	**—**	**(619)**	**(619)**
Impairment of prepayments, deposits and other receivables, net	**1,776**	**2,881**	**4,657**
Waiver of payables	**—**	**(1,540)**	**(1,540)**

Remark:

(a) Depreciation of right-of-use assets amounted to HK$1,832,000 is included in unallocated expenses that is not attributable to any of the above segments.

(a) Segment results

Year ended 31 December 2018

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

(b) Other segment information

Year ended 31 December 2018

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

(c) Geographical information

Revenue information based on locations of customers

	2019 HK$'000	2018 HK$'000
The PRC	**1,811,212**	1,818,523
Asian region and others	**145,608**	142,481
	1,956,820	1,961,004

Non-current assets information based on locations of assets

	2019 HK$'000	2018 HK$'000
The PRC	**936,502**	936,467
Hong Kong	**2,901**	—
	939,403	936,467

(d) Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods *(a)*	**1,956,820**	1,961,004
Other income and gains		
Amortisation of deferred income	**3,761**	190
Bank interest income	**427**	960
Compensation income	**1,021**	642
Foreign exchange gain, net	**850**	695
Government grants *(b)*	**3,309**	1,208
Reversal of impairment of trade and bills receivables, net	**619**	10,743
Subcontracting income	**3,796**	4,140
Waiver of payables	**1,540**	1,188
Others	**3,048**	608
	18,371	20,374

Remarks:

(a) The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time. The amount of revenue recognised for the Year that was included in the contract liabilities at the beginning of the Year was HK$72,106,000 (2018: HK$83,404,000).

(b) Government grants represent rewards to certain subsidiaries of the Company located in the PRC with no further obligations and conditions to be complied with.

5. LOSS BEFORE TAX

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

	Note	**2019** *HK$'000*	2018 *HK$'000*
Employee benefit expenses (excluding Directors' remuneration)			
— Wages and salaries		**91,131**	95,537
— Pension scheme contributions		**31,216**	32,790
		122,347	128,327
Cost of inventories sold *(a)*		**1,741,018**	1,746,785
Auditor's remuneration		**2,200**	2,200
Foreign exchange gain, net		**(850)**	(695)
Depreciation			
— Property, plant and equipment	*10*	**70,110**	77,203
— Right-of-use assets		**11,290**	—
Amortisation of prepaid land lease payments		**—**	7,340
Impairment of intangible asset		**—**	1,539
Loss on disposal of property, plant and equipment, net		**813**	211
Reversal of write-down of inventories, net, included in cost of sales		**(7)**	(432)
Reversal of impairment of trade and bills receivables, net		**(619)**	(10,743)
Impairment of prepayments, deposits and other receivables, net		**4,657**	17,691
Corn subsidy, included in cost of sales		**—**	(955)

Remark:

(a) Cost of inventories sold includes employee benefit expenses, depreciation, amortisation of prepaid land lease payments and reversal of 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

	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**53,375**	57,241
Interest on trade payables	**20,391**	16,736
Interest on lease liabilities	**244**	—
Finance costs for discounted bills receivables	**1,662**	563
	75,672	74,540

7. INCOME TAX (CREDIT) EXPENSES

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

	2019	2018
	HK$'000	*HK$'000*
Current tax		
— The PRC enterprise income tax	**301**	2,360
Deferred tax		
— Origination and reversal of temporary differences, net	**(17,705)**	650
Income tax (credit) expenses	**(17,404)**	3,010

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the Year (2018: 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$162,570,000 (2018: HK$208,496,000) and the weighted average number of ordinary shares in issue throughout the Year of 1,527,586,000 shares (2018: 1,527,586,000 shares).

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the years ended 31 December 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	2019	2018
		HK$'000	*HK$'000*
At 1 January		**798,859**	896,985
Additions		**23,906**	23,787
Disposals		**(1,141)**	(530)
Depreciation	*5*	**(70,110)**	(77,203)
Gain on properties revaluation		**70,544**	—
Exchange realignment		**(15,365)**	(44,180)
At 31 December		**806,693**	798,859

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**261,314**	274,285
Bills receivables	**2,907**	6,186
	264,221	280,471
Loss allowance	**(73,693)**	(75,747)
	190,528	204,724

The Group normally grants credit terms of 30 to 90 days (2018: 30 to 90 days) to established customers. The trade and bills receivables are mainly denominated in Renminbi.

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**150,015**	140,483
1 to 2 months	**32,160**	43,996
2 to 3 months	**4,386**	12,572
Over 3 months	**3,967**	7,673
	190,528	204,724

The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group.

Trade and bills receivables are non-interest-bearing. At the end of the reporting period, the Group had a concentration of credit risk as 15.4% (2018: 17.6%) and 42.8% (2018: 46.0%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers respectively.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**15,071**	27,233
Deposits and other debtors	**6,740**	5,703
The PRC value-added tax ("VAT") and other tax receivables	**23,377**	36,124
Current portion of prepaid land lease payments	**—**	7,422
	45,188	76,482

13. TRADE AND BILLS PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables		
— To third parties *(a)*	**222,854**	204,572
— To the Nongtou Group *(b)*	**170,242**	163,046
	393,096	367,618
Bills payables	**—**	79,339
	393,096	446,957

Remarks:

(a) At 31 December 2019, the trade payables to third parties included a balance payable to a state-owned supplier of HK$66.8 million (2018: HK$79.7 million), which is unsecured and interest-bearing at 8.0% to 9.0% per annum (2018: 8.0% to 9.0% per annum) after the lapse of the credit periods. Subsequent to the end of the reporting period, Nongtou acquired 100.0% equity interest of the state-owned supplier.

(b) The trade payable to the Nongtou Group is unsecured and interest-bearing at 8.5% per annum (2018: 8.0% per annum) after the lapse of the credit periods.

The Group normally obtains credit terms ranging from 30 to 90 days (2018: 30 to 90 days) from its suppliers.

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**230,752**	209,231
1 to 2 months	**24,708**	67,563
2 to 3 months	**5,833**	2,632
Over 3 months	**131,803**	167,531
	393,096	446,957

14. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2018: 100,000,000,000) ordinary shares of HK$0.10 each	**10,000,000**	10,000,000
Issued and fully paid:		
1,527,586,000 (2018: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

15. FINANCIAL GUARANTEE CONTRACTS

As mentioned in note 2.2, Dihao Foodstuff together with certain fellow subsidiaries of the Company have jointly provided corporate guarantees to a bank in the PRC in respect of financing facilities granted to Dajincang starting from year 2010. The maximum amount of the financing facilities was RMB2.5 billion at 31 December 2019 (2018: 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 management of the Group was 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.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

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

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

As a result of similar limitations of audit scope as mentioned below, a disclaimer of opinion was expressed by us in our report dated 26 March 2019 on the consolidated financial statements of the Group for the year ended 31 December 2018.

(i) Financial guarantee contracts

As mentioned in notes 2.2 and 27 to the consolidated financial statements, a subsidiary of the Company, together with certain fellow subsidiaries, had jointly provided corporate guarantees (the "Financial Guarantee Contracts") to a bank in connection with financing facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2019 and 2018. In addition, an indirect major shareholder of the ultimate holding company of the Company provided a confirmation in writing that it will undertake all the liabilities that may arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the "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 2019 and 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2018 and 2019, 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 2019.

(ii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2019, the Group had net current liabilities and capital deficiency of HK$1,111 million and HK$411 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$163 million for the year ended 31 December 2019. 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.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2019. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2018 had been subject to the disclaimer of opinion of the Auditor in the independent auditor's report in the Company's annual report for the year ended 31 December 2018 (the "2018 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 Annual Report and the 2019 Interim Report, the management of the Company wishes to provide an update on the remedial measures of the Company taken and 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 2018 Annual Report, the financial guarantee contracts were not recognised in the Group's consolidated financial statements for the year ended 31 December 2018 because the Group was unable to obtain reliable financial information of Dajincang for the professional valuer to conduct an accurate valuation. During the Year, as the Company was still not able to obtain such information despite continuous enquiries and requests made to Dajincang. Consequently, the valuer was not able to conduct a valuation of the financial guarantee contracts for financial reporting purpose.

As disclosed in the 2018 Annual Report, as the term of the loan (the "Previous Supplier Loan") advanced by 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("Weifeng BOC") to Dajincang under certain loan agreements (the "Previous Supplier Loan Agreements") entered into between Dajincang and Weifeng BOC and guaranteed by the Guarantor Subsidiaries 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, new loan agreements have been entered into between Dajincang and Weifeng BOC for all indebtedness due and owing to Weifeng BOC (the "New Supplier Loan"). As a condition to the New Supplier Loan, new supplier guarantees (the "New Supplier Guarantees") should be granted by the Guarantor Subsidiaries. The amount drawn down by Dajincang as at 31 December 2019 and up to the date of this announcement amounted to RMB2.49 billion (31 December 2018: RMB2.49 billion).

As disclosed in the February Joint Announcement, Dajincang has defaulted in the repayment of the New Supplier Loan and the aggregate outstanding principal amount was RMB2.49 billion together with the outstanding interest. As a result, the Guarantor Subsidiaries may be demanded to take up the full liability of RMB2.49 billion at any time so requested by Weifeng BOC.

Reference is also made to the February Joint Announcement, after the submission of the Further Revised Debt-Equity Swap Proposal to BOC Jilin Branch and the People's Government of Jilin Province in August 2018, the principal lending banks of the Group and the GBT Group in the PRC, the Jilin SASAC, Nongtou and the management of the Group and the GBT Group have been actively negotiating the details of execution of the Further Revised Debt-Equity Swap Proposal. As a common understanding amongst the parties, the outstanding debts should be reclassified as non-performing assets of the principal lending banks to enable them to sell such debts to certain assets management companies at a relatively sharp discount as the first step of the debt restructuring plan. In mid-February 2020, the Company has been notified by BOC Jilin Branch that it has entered into a transfer agreement with the New Creditor pursuant to which BOC Jilin Branch has agreed to sell to the New Creditor, and the New Creditor has agreed to purchase, all of its rights and benefits of the Transferred Loans which include among others, the loans of the Group in the amount of RMB198.6 million, together with outstanding interest and the New Supplier Loan at a consideration of approximately RMB815.7 million. After the completion of the transfer of the Transferred Loans, the management of the Group and the GBT Group will continue their discussion on the next step of the debt restructuring with the New Creditor, including but not limited to repurchase of the Transferred Loans and debt to equity swap with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GBT Group. The Company, together with GBT, will endeavour to facilitate the materialisation of the debt restructuring. The Board expects that the Group would be able to resolve all the amounts due and owing under the Transferred Loans and the indebtedness of Dajincang together with the related audit modification by the end of the year ending 31 December 2020. For further details, please refer to point (1) in note 2.2 to the consolidated financial statements.

2. Material uncertainty relating to going concern

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

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2.2 to the consolidated financial statements, the Board, including the Audit Committee, is of the view that the Group will have sufficient working capital for at least 12 months from the date of this announcement, and that the relevant disclaimer opinion may not appear in the final results for the year ending 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

During the Year, the trade war between the PRC and the United States (the "US") continued to put pressure on the overall economic environment in the PRC. As a result, economic growth rate in the PRC slowed down to 6.1% in 2019, the slowest growth rate since 1990. The economic slowdown has also impacted the consumption pattern of the population. In addition, competition in the PRC sweeteners market intensified during the Year as demand shrank. Together with the huge gap between the international and domestic sugar prices which weakened the competitiveness of the PRC sweetener products in overseas market, both revenue and gross profit of the Group's downstream sweeteners segment dropped significantly during the Year. As a result, the performance of the Group for the Year was under pressure.

With respect to corn supply, global corn production for the year 2019/20 is estimated at 1,112 million MT (2018/19: 1,123 million MT), according to the estimates from the United States Department of Agriculture. Reduced corn production in the US and strong demand from the ethanol industry continued to fuel the demand of corn during the Year. Consequently, the international corn price soared to 608 US cents per bushel (equivalent to RMB1,670 per MT) (end of 2018: 429 US cents per bushel, equivalent to RMB1,161 per MT) by the end of the Year. In the PRC, corn harvest in 2018/19 produced approximately 261 million MT (2017/18: approximately 257 million MT), while consumption volume in 2019 was approximately 262 million MT. In addition, as the ageing corn stock in the PRC has gradually been digested in the past years, domestic corn price increased by 5.7% year-on-year from RMB1,750 per MT to RMB1,850 per MT. Despite this, benefiting from the increase in VAT deduction and the improvement in operational efficiency in the upstream corn refinery in Jinzhou, the performance of the Group's upstream business has improved during the Year. However, the operating environment going forward will be challenging still as the effect of the outbreak of the ASF is expected to linger and the outbreak of the coronavirus disease (COVID-19) in the PRC and other parts of the world is expected to hit the global economy in 2020. The Group will continue to monitor market conditions and be cautious in making decisions on the Group's business strategies and optimise production of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence.

As for the sugar market, after two years of surplus sugar in the international market, international sugar price is expected to rebound in the year 2019/2020 as an estimate of 2 to 4 million MT sugar deficit will happen due to reduced production. International sugar price increased to 13.42 US cents per pound (equivalent to RMB2,070 per MT) by the end of the Year (end of 2018: 12.03 US cents per pound, equivalent to RMB1,829 per MT). In the PRC, domestic sugar production remained at similar level at 10.7 million MT in 2019/20 harvest (2018/19: 10.8 million MT), while consumption stayed at around 15.8 million MT (2018: 15.8 million MT). As a result, domestic sugar price increased to RMB5,900 per MT (end of 2018: RMB5,378 per MT) by the end of the Year. To protect local sugar producers and to narrow the huge gap between international sugar price and domestic sugar price, apart from imposing high tariff for sugar imports, the PRC government has been actively cracking down on sugar smuggling during the Year. Such measures have been effective in upholding the sugar price in China. However, since a number of users in Huadong area have opted for vertical integration and expanded upstream to secure their feedstocks, the market of sweeteners has shrunk and competition has further intensified. As economic growth slowed down, demand for sweetener products had also dropped. The effect was especially prominent in the low-profit margin region in Northeast China. As disclosed in the Company's announcement dated 24 September 2019, the Group has suspended the operation of the downstream sweeteners production facilities in Jinzhou until market sentiment recovers. The Group will continue to utilise its research and development capabilities to improve operational efficiency to lower cost and at the same, develop products that better suit market needs to cope with market changes.

Although the uncertainty over the trade disputes between the PRC and the US has gradually resolved, the operating environment in 2020 will continue to be challenging with the outbreak of the coronavirus disease (COVID-19) globally. The economic slowdown and the intensified market competition will further add pressure on the already lackluster market. As announced by the Company on 10 February 2020, the Group has suspended production operation of Dihao Foodstuff as the outbreak of the coronavirus disease (COVID-19) had led to the suspension of various economic activities which affected the raw material supply. In the short run, the Group will continue to monitor closely the development of the epidemics, the market conditions as well as the financial conditions of the Group and will ensure the operation of the Group's subsidiaries to resume as soon as possible to the extent practicable. In the long run, the Group will continue to strengthen its market position utilising its brand name and continuing to be customer-oriented to understand better their ever-changing demand and product requirement, further improve cost effectiveness through continuous research and development efforts, and at the same time, develop high value-added products to suit customer needs.

FINANCIAL PERFORMANCE

During the Year, due to keen competition of the sweeteners market and the poor sentiment of the sweeteners market in Northeast China, the Group has suspended the downstream production in Jinzhou production site since September 2019. As a result, the sales volume of the Group's downstream sweeteners segment dropped by approximately 19.8% to approximately 299,000 MT (2018: 373,000 MT). On the other hand, a stable supply of corn kernels through the connections of Nongtou has ensured the stable production operation of the Group's upstream corn refinery which led to the improvement of the performance of the Group's upstream segment during the Year. The improved performance of the upstream segment has offset the decline in the revenue of the downstream segment. As a result, the Group recorded a consolidated revenue of approximately HK$1,956.8 million (2018: HK$1,961.0 million) during the Year.

During the Year, the purchase price of corn kernels of the Group increased slightly by approximately 2.6%. However, as new basis for the assessment of VAT for the upstream corn refined products has been adopted by the local tax bureau in Jinzhou, Liaoning Province, the PRC since August 2018, the VAT deduction available for each MT of upstream products increased consequently. As a result, the average cost of sales of upstream corn refined products dropped by approximately 4.6%. Together with the improvement in the operational efficiency of the upstream segment, the Group's gross profit for the Year increased by approximately 2.4% to approximately HK$207.6 million (2018: HK$202.8 million) with gross profit margin of approximately 10.6% (2018: 10.3%). Despite this, the high finance costs of the Group have weighed on its overall performance. Consequently, the Group recorded net loss and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$162.6 million (2018: HK$208.5 million) and approximately HK$22.9 million (2018: HK$46.4 million) respectively for the Year.

Upstream products

(Sales amount: HK$1,038.4 million (2018: HK$839.3 million))
(Gross profit: HK$101.7 million (2018: HK$46.5 million))

With respect to the Group's corn refinery business, the improvement in operational efficiency in Jinzhou site has ensured the stable supply of products to its customers. The sales volumes of corn starch and other corn refined products have increased to approximately 293,000 MT (2018: 212,000 MT) and approximately 130,000 MT (2018: 129,000 MT), respectively, with their revenues amounted to approximately HK$760.3 million (2018: HK$559.4 million) and approximately HK$278.1 million (2018: HK$279.9 million), respectively. Internal consumption of corn starch was approximately 76,000 MT (2018: 143,000 MT), which was mainly used as the raw material for production in the Group's production sites in Jinzhou and Shanghai.

As new basis for the assessment of VAT for the upstream corn refined products has been adopted by the local tax bureau in Jinzhou since August 2018, the VAT deduction available for each MT of upstream products increased consequently. It has partly offset the increase of corn cost. As such, the average cost of sales of corn starch remained at similar level. On the other hand, since raw material cost accounts for lower percentage in the cost structure of the other corn refined products, the effect of the increased corn cost was less prominent. As such, the average cost of sales of other corn refined products dropped substantially by approximately 12.0%. As the sales volume of corn starch increased and the average selling price decreased merely by 1.3%, the gross profit of the corn starch segment increased to approximately HK$109.4 million (2018: HK$87.7 million) with gross profit margin slightly decreased to approximately 14.4% (2018: 15.7%). Meanwhile, the average selling price of other corn refined products dropped slightly by approximately 1.7% during the Year, benefiting from the VAT deduction, the gross loss of other corn refined products segment decreased significantly by 81.3% to approximately HK$7.7 million (2018: HK$41.2 million) during the Year, with gross loss margin improved to approximately 2.8% (2018: 14.7%).

The Group had been the sole distributor of the GBT Group for the sales and marketing of their upstream corn refined products in the Huadong region in the PRC since 2016. As the distribution agreement expired on 31 December 2018, no revenue (2018: Nil) for the trading of upstream products was recorded during the Year.

Corn syrup

(Sales amount: HK$587.3 million (2018: HK$765.4 million))
(Gross profit: HK$68.5 million (2018: HK$108.8 million))

During the Year, the revenue and gross profit of the corn syrup segment decreased by approximately 23.3% and 37.0% respectively, to approximately HK$587.3 million (2018: HK$765.4 million) and approximately HK$68.5 million (2018: HK$108.8 million) respectively. Such decreases were mainly attributable to the decline in sales volume by approximately 25.9% to approximately 186,000 MT (2018: 251,000 MT) as a result of the poor sentiment of the sweeteners market and the suspension of the Group's downstream production in Jinzhou since September 2019. As the average unit production cost of corn syrup products increased as output decreased, the gross profit margin of the corn syrup segment dropped to approximately 11.7% (2018: 14.2%) during the Year.

Corn syrup solid

(Sales amount: HK$331.1 million (2018: HK$355.8 million))
(Gross profit: HK$37.4 million (2018: HK$47.5 million))

During the Year, the revenue of maltodextrin amounted to approximately HK$331.1 million (2018: HK$355.8 million) as sales volume dropped to approximately 113,000 MT (2018: 122,000 MT). While the selling price of maltodextrin remained steady, the average cost of sale increased by approximately 2.5% as output reduced due to keen competition of the sweeteners market. As such, the gross profit of the corn syrup solid segment dropped by approximately 21.3% to approximately HK$37.4 million (2018: HK$47.5 million) with the gross profit margin declined to approximately 11.3% (2018: 13.4%).

Trading

(Sales amount: Nil (2018: HK$0.5 million))
(Gross profit: Nil (2018: Nil))

The Group had been the sole distributor of the GBT Group for the marketing and selling of their lysine, corn starch and other corn refined products in the Huadong region in the PRC since 2016. Results of trading of corn starch and other corn refined products are included in the financial results of upstream products. Results of the trading segment include only those of amino acids.

As the distribution agreement expired on 31 December 2018, no revenue (2018: HK$0.5 million) for the trading of amino acids was recorded during the Year.

Export sales

During the Year, the Group exported approximately 42,000 MT (2018: 39,000 MT) of upstream corn refined products and approximately 14,000 MT (2018: 16,000 MT) of corn sweeteners; their export sales amounted to approximately HK$89.2 million (2018: HK$92.7 million) and approximately HK$56.4 million (2018: HK$49.8 million) respectively, together representing approximately 7.4% (2018: 7.3%) of the Group's total revenue.

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

Other income and gains

During the Year, other income and gains of the Group decreased by approximately 9.8% to approximately HK$18.4 million (2018: HK$20.4 million). Other income and gains consisted mainly of subcontracting income amounted to approximately HK$3.8 million (2018: 4.1 million), deferred income amounted to approximately HK$3.8 million (2018: HK$0.2 million), reversal of impairment of trade and bill receivables amounted to approximately HK$0.6 million (2018: HK$10.7 million) and government grants amounted to approximately HK$3.3 million (2018: HK$1.2 million).

Selling and distribution costs

During the Year, the selling and distribution costs dropped by approximately 4.3% to approximately HK$180.4 million (2018: HK$188.6 million), accounting for approximately 9.2% (2018: 9.6%) of the Group's revenue. Such decrease was mainly attributable to the decrease in transportation and packaging cost as a result of the decline in sales volume of downstream products during the Year.

Administrative expenses

During the Year, administrative expenses increased slightly by approximately 2.3% to approximately HK$111.8 million (2018: HK$109.3 million), representing approximately 5.7% (2018: 5.6%) of the Group's revenue. Such increase was mainly attributable to the professional fee paid for the provision of professional advisory services for the debt-equity swap proposal which amounted to approximately HK$1.2 million during the Year.

Other expenses

Other expenses of the Group decreased by approximately 32.2% to approximately HK$38.1 million (2018: HK$56.2 million) during the Year. Such decrease was mainly attributable to the decrease in impairment of prepayments, deposits and other receivables which amounted to approximately HK$4.7 million (2018: HK$17.7 million) and a one-off impairment of intangible asset amounted to approximately HK$1.5 million which was incurred in 2018 only.

Finance costs

During the Year, despite the interest on bank and other borrowings decreased by approximately HK$3.8 million to approximately HK$53.4 million (2018: HK$57.2 million) as a result of the decrease in total borrowings, the interest on trade payables increased by approximately HK$3.7 million to approximately HK$20.4 million (2018: HK$16.7 million) and finance costs for discounted bills receivables increased by approximately HK$1.1 million to approximately HK$1.7 million (2018: HK$0.6 million). Consequently, finance costs of the Group increased slightly by approximately 1.6% to approximately HK$75.7 million (2018: HK$74.5 million).

Income tax (credit) expenses

Due to the reversal of temporary differences, the Group recorded deferred tax credit of approximately HK$17.7 million (2018: deferred tax expenses HK$0.6 million) during the Year, meanwhile, a subsidiary of the Company in the PRC generated net profit and the PRC income tax expenses amounted to approximately HK$0.3 million was provided for the Year (2018: HK$2.4 million). As a result, the Group recorded income tax credit of approximately HK$17.4 million during the Year (2018: income tax expenses: HK$3.0 million).

Net loss attributable to shareholders

As a result of the improvement in the Group's upstream operation and effective cost control, the Group's net loss was narrowed to approximately HK$162.6 million (2018: HK$208.5 million) during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2019 decreased by approximately HK$46.8 million to approximately HK$962.5 million (31 December 2018: HK$1,009.3 million). The change in total borrowings was mainly attributable to exchange rate adjustment as at 31 December 2019 which amounted to approximately HK$21.9 million and the decrease in interest-bearing bank and other borrowings amounted to approximately HK$24.9 million. On the other hand, cash and bank balances and pledged bank deposits as at 31 December 2019 decreased by approximately HK$68.8 million to approximately HK$30.8 million (31 December 2018: HK$99.6 million). As such, the net borrowings increased to approximately HK$931.7 million (31 December 2018: HK$909.7 million).

Structure of interest-bearing bank and other borrowings and net borrowing position

As at 31 December 2019, the Group's bank and other borrowings amounted to approximately HK$962.5 million (31 December 2018: HK$1,009.3 million), all of which (31 December 2018: all) were denominated in Renminbi. The average interest rate during the Year decreased to approximately 5.6% (2018: 7.0%) per annum. The percentage of interest-bearing bank and other borrowing wholly repayable within one year and in the second to the fifth years were 79.2% and 20.8% (31 December 2018: 81.9% and 18.1%), respectively. As at 31 December 2019, interest-bearing bank and other borrowings amounted to approximately RMB215.0 million have been charged at fixed interest rates of 7.0% to 8.0% for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings are charged with reference to floating interest rate.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. Although the Group's revenue slightly decreased by approximately 0.2% to approximately HK$1,956.8 million (2018: HK$1,961.0 million) for the Year, the Group had maintained a stringent credit control and therefore, the trade receivables turnover days dropped to 36 days (31 December 2018: 38 days).

During the Year, trade payables turnover days decreased to approximately 82 days (31 December 2018: 93 days) as the Group has been actively negotiating with creditors on repayment plans mutually-agreed among the parties.

As at 31 December 2019, the Group's inventory level decreased by approximately 24.3% to approximately HK$193.0 million (31 December 2018: HK$255.0 million). Such decrease was mainly attributable to the suspension of the downstream production in Jinzhou production site during the Year. Consequently, the inventory turnover days decreased to approximately 40 days for the Year (31 December 2018: 53 days).

As at 31 December 2019, the current ratio decreased to approximately 0.3 (31 December 2018: 0.4) while the quick ratio remained at approximately 0.2 (31 December 2018: 0.2). 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 approximately 174.7% (31 December 2018: 145.0%).

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for 7.4% (2018: 7.3%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

IMPORTANT TRANSACTIONS DURING THE YEAR

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

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

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

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

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

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

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 in other loan agreements entered into by the Group.

As at the date of this announcement, certain financial covenants under the Loan Agreement have yet to be fulfilled, the outstanding principal amount under the Loan Agreement is approximately RMB19.8 million and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement.

As disclosed in the February Joint Announcement dated 25 February 2020, the Group has defaulted in the repayment of the certain loans and the aggregate outstanding principal amount under such loans is RMB198.6 million together with outstanding interest as at the date of this announcement. The maximum liability guaranteed by GBT is approximately RMB199.0 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements.

Furthermore, Dajincang has defaulted in the repayment of loans with aggregate outstanding principal amount of RMB2.49 billion as at the date of this announcement, together with outstanding interest. The Guarantor Subsidiaries have provided guarantees to Weifeng BOC to secure the obligations of Dajincang under the relevant loan agreements. Up to the date of this announcement, the Guarantor Subsidiaries have yet to receive any waiver. The default in repayment of loans by the Group and the GBT Group may also trigger cross default of other loan agreements entered into by the Group and the GBT Group.

In mid-February 2020, the Company has been notified by BOC Jilin Branch that it has entered into a transfer agreement with the New Creditor, pursuant to which BOC Jilin Branch has agreed to sell to the New Creditor, and the New Creditor has agreed to purchase, all of its rights and benefits of the Transferred Loans which include among others, the loans of the Group above which amounted to RMB198.6 million, together with outstanding interest and the indebtedness of Dajincang at a consideration of approximately RMB815.7 million. As a common understanding amongst the parties involved in the discussion in relation to the Further Revised Debt-Equity Swap Proposal, the outstanding debts should be reclassified as non-performing assets of the principal lending banks to enable them to sell such debts to certain assets management companies at a relatively sharp discount as the first step of the debt restructuring plan. As such, the Group and the GBT Group have not been renewing the bank borrowings with their respective banks mentioned above. The default in the repayment of the loans as mentioned in above was intended to push forward the execution of the debt restructuring. After the completion of the transfer of the Transferred Loans, the management of the Group and the GBT Group will continue their discussion on the next step of the debt restructuring with the New Creditor, including but not limited to repurchase of the Transferred Loans and debt to equity swap with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GBT Group.

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 the Guarantor Subsidiaries in respect of the indebtedness of Dajincang due to Weifeng BOC between November 2010 to March 2015.

As disclosed in the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the Previous Supplier Loan expired in December 2018 and Dajincang still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the Guarantor Subsidiaries or any of them, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with Weifeng BOC for the New Supplier Loan. New Supplier Guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by Dihao Foodstuff and other members of the GBT Group to Weifeng BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The maximum principal amount guaranteed under the New Supplier Guarantee is RMB2.5 billion. Since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under rule 13.13 of the Listing Rules and to comply with rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under rule 13.20 of the Listing Rules to disclose the New Supplier Guarantee in its interim and annual reports during the relevant periods when the New Supplier Guarantee is in effect.

Similar to the disclosure under the section “Disclosure Pursuant to Rules 13.19 and 13.21 of the Listing Rules”, the New Supplier Guarantee is expected to be resolved by the end of the year ending 31 December 2020 through debt restructuring.

SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

Updates on the suspension of certain subsidiaries of the Group

Reference is made to the announcement of the Company dated 24 September 2019. Due to poor market sentiment in Northeast China, the downstream production operations in Jinzhou site has been suspended to minimise cash outflow. As at the date of this announcement, the production operation of such subsidiary remained suspended. The management of the Group is closely monitoring the market conditions, the financial conditions of the Group and in particular, the development of the recent outbreak of the coronavirus disease (COVID-19), and will ensure that the production operation of such subsidiary will resume as soon as possible to the extent practicable.

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2019 Interim Report in relation to, among others, the suspension and relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

The relocation plan of the Group will be financed by the Group’s internal resources, the proceeds from the compensation of the land resumption of the Relevant Properties and through collaboration with industry players. The management of the Company is of the view that the existing technology know-how of the Group is sufficient for the relocation of the production facilities.

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

Products of the Group to which the production facilities relate	**Production capacity of the relevant production facilities to be relocated (mtpa)**	**Expected time for the relocation of production facilities**
Crystallised glucose*	100,000	Pending the availability of capital and favourable market condition
Corn refinery*	600,000	Pending the availability of capital and favourable market condition

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

IMPORTANT EVENT AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

As announced by the Company on 10 February 2020, Dihao Foodstuff has suspended its production operation due to the lack of supply of principal materials (corn starch either in powder or slurry form), given that, amongst others, the production operation of a subsidiary of GBT has been suspended due to the impact of the outbreak of the coronavirus disease (COVID-19) in early 2020. While the outbreak of the coronavirus disease (COVID-19) is gradually becoming under control in the PRC as at the date of this announcement, the World Health Organisation declared the outbreak of the coronavirus disease (COVID-19) a pandemic on 11 March 2020 following its spread across the world. If the outbreak remains protracted, the world's economy may be adversely affected and the Group's operating environment will become increasingly challenging. The Board will continue to assess the impact of the outbreak on the Group's operation and financial performance, and will ensure that the operation of Dihao Foodstuff will resume as soon as possible to the extent practicable. The Company will make further announcement(s) in accordance with the Listing Rules as and when necessary.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will optimise its production while maintaining its market presence, diversify its product mix and enhance its capability in developing high value-added products, strive to materialise the debts restructuring plan to improve its financial position and introduce strategic business alliance with prominent international market leaders.

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

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.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2019, the Group has approximately 1,000 (31 December 2018: 1,100) 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 discretionary bonuses.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the Year (2018: Nil).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

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.

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

AUDIT COMMITTEE

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

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

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

FULL DETAILS OF FINANCIAL INFORMATION

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

ANNUAL GENERAL MEETING

The 2019 annual general meeting ("AGM") of the Company will be held on Wednesday, 24 June 2020 at 10:30 a.m.. Notice of the AGM will be published on the websites of the Company (www.global-sweeteners.com) and the Stock Exchange (www.hkexnews.hk), and will be dispatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 19 June 2020 to Wednesday, 24 June 2020, both days inclusive, during which period no transfer of shares will be registered, in order to determine the shareholders' entitlements to the attendance at the AGM.

Shareholders are reminded that in order to qualify for the attendance at the AGM, they must ensure that all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 18 June 2020.

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 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 Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars on this announcement.

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

Hong Kong, 26 March 2020

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