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 2019

FINANCIAL HIGHLIGHTS	**2019**	2018	Change %
Revenue (HK$'Mn)	**4,561**	5,658	(19.4%)
Gross profit (HK$'Mn)	**204**	260	(21.6%)
Loss for the year (HK$'Mn)	**(1,116)**	(1,299)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(1,068)**	(1,222)	N/A
Basic loss per share (HK cents)	**(15.5)**	(19.1)	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 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	**4,561,391**	5,657,726
Cost of sales		**(4,357,862)**	(5,398,016)
Gross profit		**203,529**	259,710
Other income and gains	4	**684,375**	321,630
Selling and distribution costs		**(407,789)**	(584,130)
Administrative expenses		**(440,695)**	(439,187)
Other expenses		**(510,420)**	(360,098)
Share of loss of a joint venture		**(1,541)**	—
Finance costs	6	**(604,076)**	(565,040)
LOSS BEFORE TAX	5	**(1,076,617)**	(1,367,115)
Income tax (expenses) credit	7	**(39,717)**	67,896
LOSS FOR THE YEAR		**(1,116,334)**	(1,299,219)
OTHER COMPREHENSIVE INCOME			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**95,923**	195,209
Reclassification adjustment in respect of exchange reserve upon deemed disposal of a subsidiary		**(975)**	—
		94,948	195,209
Items that will not be reclassified subsequently to profit or loss:			
Gain on properties revaluation, net		**157,313**	—
Income tax effect		**(39,329)**	—
		117,984	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**212,932**	195,209
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(903,402)**	(1,104,010)

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(1,067,819)**	(1,222,322)
Non-controlling interests		**(48,515)**	(76,897)
		(1,116,334)	(1,299,219)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(877,929)**	(1,040,349)
Non-controlling interests		**(25,473)**	(63,661)
		(903,402)	(1,104,010)
LOSS PER SHARE			
Basic	*9*	**HK(15.5) cents**	HK(19.1) cents
Diluted	*9*	**HK(15.5) cents**	HK(19.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**6,151,537**	6,496,030
Prepaid land lease payments		—	575,231
Right-of-use assets		**563,682**	—
Deposits paid for acquisition of property, plant and equipment		**58,502**	65,175
Intangible assets		**3,751**	3,806
Interests in an associate		—	—
Interests in a joint venture		**4,336**	—
Equity investment at fair value through other comprehensive income ("Designated FVOCI")		**208**	—
		6,782,016	7,140,242
CURRENT ASSETS			
Inventories	*10*	**369,496**	745,493
Trade and bills receivables	*11*	**267,870**	574,267
Prepayments, deposits and other receivables	*12*	**721,852**	1,025,886
Due from a joint venture		**4,270**	—
Pledged bank deposits	*13*	**9,916**	203,918
Cash and bank balances	*13*	**79,509**	135,033
		1,452,913	2,684,597
CURRENT LIABILITIES			
Trade and bills payables	*14*	**1,551,476**	2,162,885
Other payables and accruals	*15*	**2,047,566**	2,012,269
Due to an associate		**1,593**	2,675
Tax payables		**107,967**	103,237
Interest-bearing bank and other borrowings		**5,583,337**	6,127,288
Lease liabilities		**3,700**	—
Convertible bonds		**1,034,246**	—
		10,329,885	10,408,354
NET CURRENT LIABILITIES		**(8,876,972)**	(7,723,757)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(2,094,956)**	(583,515)

	Notes	**2019**	2018
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,044,444**	1,870,716
Lease liabilities		**2,188**	—
Deferred income		**120,294**	133,759
Deferred tax liabilities		**84,109**	10,773
Convertible bonds		**—**	971,771
		2,251,035	2,987,019
NET LIABILITIES		**(4,345,991)**	(3,570,534)
CAPITAL AND RESERVES			
Share capital	*17*	**767,880**	639,900
Reserves		**(4,965,745)**	(4,087,781)
Deficit attributable to owners of the Company		**(4,197,865)**	(3,447,881)
Non-controlling interests		**(148,126)**	(122,653)
TOTAL DEFICIT		**(4,345,991)**	(3,570,534)

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. The principal activity of the Company is investment holding. 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 Group is principally engaged in the manufacture and sale of corn refined products and corn based biochemical products. There were no significant changes in the nature of the Group's principal activities during the Year.

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 and Designated FVOCI which are measured at revalued amounts/fair value. 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$1,116.3 million (2018: HK$1,299.2 million) for the Year and as at 31 December 2019, had net current liabilities of approximately HK$8,877.0 million (31 December 2018: HK$7,723.8 million) and net liabilities of approximately HK$4,346.0 million (31 December 2018: HK$3,570.5 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 18 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:

(a) 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 has 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 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.) ("Dajincang") in the debt-equity swap proposal.

On 1 February 2019, a meeting amongst the representatives of the principal lending banks of the 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 the Jilin SASAC and an indirect major shareholder of the Company) 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 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 Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") 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 RMB4,016.5 million (the "Transferred Loans") which include the loans of the Group (including the GSH Group) in the amount of RMB1,526.5 million, together with the outstanding interest and the indebtedness of Dajincang that was guaranteed by certain subsidiaries of the Group and the GSH 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 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 GSH Group. The Board believes 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 will endeavour to facilitate the materialisation of the debt restructuring. The Board expects that the Group (including the GSH 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.

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

Reference is made to the joint announcement of the Company and GSH dated 2 March 2017 and the 2019 Interim Report. The Company and GSH 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.

As disclosed in the 2019 Interim Report, 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 Group has received a land resumption prepayment in the amount of approximately RMB377.0 million from the Potential Purchaser which was subsequently recognised as compensation for the resumption of the Relevant Properties pursuant to an agreement entered into between the Group, the Potential Purchaser and the 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 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 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.

(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 optimised its production and suspended the operation of certain production facilities in order to minimise operating cash outflows.

(d) Financial support from the 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 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 18. 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 950,000 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 408,000 MT of corn kernels from the subsidiaries of Nongtou which aggregately accounted for approximately 30.0% 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, 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.

(e) Introducing potential investors to the Company

The management of the Company has also actively negotiated with a number of potential investors to inject capital to the Company during the Year. As announced by the Company on 19 July 2019, the Company entered into a subscription agreement (the "Subscription Agreement") with HK Bloom Investment Limited, a company established under the British Virgin Islands laws with limited liability (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new shares (the "Subscription Shares") at the subscription price of HK$0.10 per Subscription Share (the "Subscription"). Completion of the Subscription (the "Subscription Completion") took place on 20 August 2019. The net proceeds from the Subscription in the amount of approximately HK$127,900,000 have been utilised as general working capital of the Group.

On 27 September 2019, the Company entered into another subscription agreement (the "Second Subscription Agreement") with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 1,228,607,685 new shares at the subscription price of HK$0.1080 per subscription share (the "Second Subscription"). On 12 December 2019, the Second Subscription was passed by way of poll at an extraordinary general meeting. By entering into the Second Subscription, the Group could raise fund for its general working capital purposes and further strengthen its financial position, within a relatively shorter time frame and without any additional interest burden. Due to the delay in making fund transfer by the Subscriber for the payment of the subscription price for the Second Subscription as a result of the outbreak of the coronavirus disease (COVID-19), the Second Subscription is yet to be completed as at the date of this announcement. The parties to the Second Subscription Agreement have agreed to extend the payment date by which the Subscriber shall make payment for the subscription price.

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	**Transfer**	**Contract capitalisation**	**1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Prepaid land lease payments	575,231	(575,231)	—	—
Prepayments, deposits and other receivables	1,025,886	(19,887)	—	1,005,999
Right-of-use assets	—	595,118	9,467	604,585
	1,601,117	—	9,467	1,610,584
Liabilities				
Lease liabilities	—	—	9,502	9,502
Deficit				
Accumulated losses	(10,183,314)	—	(35)	(10,183,349)

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	9,919
Discounting	(417)
Lease liabilities at 1 January 2019	9,502

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 rate at the date of initial application. The weighted average incremental borrowing rate at the date of initial recognition is 2.4%.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply of 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 four (2018: 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 2019

	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	**2,626,291**	**991,591**	**918,390**	**25,119**	**—**	**4,561,391**
Intersegment	**84,879**	**—**	**—**	**2,372**	**(87,251)**	**—**
Revenue	**2,711,170**	**991,591**	**918,390**	**27,491**	**(87,251)**	**4,561,391**
Segment results	**(504,286)**	**(355,700)**	**(66,097)**	**(3,307)**	**—**	**(929,390)**
Bank interest income						**1,000**
Unallocated income						**546,584**
Unallocated expenses						**(89,194)**
Share of loss of a joint venture						**(1,541)**
Finance costs						**(604,076)**
Loss before tax						**(1,076,617)**
Income tax expenses						**(39,717)**
Loss for the year						**(1,116,334)**

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)

(b) Other segment information

Year ended 31 December 2019

	Upstream products HK$'000	Amino acids HK$'000	Corn sweeteners HK$'000	Polyol chemicals HK$'000	Total HK$'000
Capital expenditure	**31,444**	**6,819**	**17,491**	**703**	**56,457**
Depreciation of property, plant and equipment	**237,163**	**187,701**	**43,509**	**10,970**	**479,343**
Depreciation of right-of-use assets *(a)*	**9,869**	**8,103**	**3,298**	**671**	**21,941**
(Gain) Loss on disposal of property, plant and equipment, net	**(58)**	**—**	**813**	**—**	**755**
Reversal of write-down of inventories, net	**(49,509)**	**(3,113)**	**—**	**(7,078)**	**(59,700)**
Impairment (Reversal of impairment) of deposits paid for acquisition of property, plant and equipment, net	**26**	**(139)**	**—**	**—**	**(113)**
(Reversal of impairment) Impairment of trade and bills receivables, net	**(24,746)**	**15,664**	**(619)**	**—**	**(9,701)**
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	**10,743**	**47**	**2,881**	**(349)**	**13,322**
Waiver of payables	**(33,829)**	**(3,612)**	**(1,540)**	**—**	**(38,981)**
Write-back of properties revaluation deficits charged to profit or loss in previous years	**(54,619)**	**—**	**—**	**—**	**(54,619)**

Remark:

(a) Depreciation of right-of-use assets amounted to HK$3,664,000 is included in unallocated expenses that is not attributable to any of the above segments.

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 of property, plant and equipment	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 *(b)*	(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)

Remark:

(b) 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 that are not attributable to any of the above segments.

(c) Geographical information

Revenue information based on locations of customers

	2019 ***HK$'000***	2018 *HK$'000*
The PRC	**3,955,273**	4,480,721
Asia, the Americas and other regions	**606,118**	1,177,005
	4,561,391	5,657,726

Non-current assets information based on locations of assets

	2019 ***HK$'000***	2018 *HK$'000*
The PRC	**6,771,670**	7,138,195
Hong Kong	**5,802**	2,047
	6,777,472	7,140,242

(d) Information about major customers

No revenue from any customer individually amounted to 10% or more of the Group's revenue for the Year (2018: Nil).

4. REVENUE, OTHER INCOME AND GAINS

	Note	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within HKFRS 15			
Sale of goods *(a)*		**4,561,391**	5,657,726
Other income and gains			
Bank interest income		**1,000**	4,342
Government grants *(b)*		**37,170**	39,771
Amortisation of deferred income		**13,857**	10,257
Gain on disposal of prepaid land lease payments		**—**	155,622
Gain on disposal of property, plant and equipment, net		**—**	9,043
Foreign exchange gain, net		**—**	16,074
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net		**113**	17,939
Reversal of write-down of inventories, net		**19,896**	13,631
Reversal of impairment of trade and bills receivables, net		**9,701**	7,175
Gain on disposal of right-of-use assets		**4,334**	—
Gain on deemed disposal of a subsidiary	*16*	**42,973**	—
Waiver of payables		**38,981**	28,186
Government compensation for relocation	*15(a)*	**428,409**	—
Write-back of properties revaluation deficits charged to profit or loss in previous years		**54,619**	—
Net profit arising from supplying utilities services		**8,853**	11,088
Others		**24,469**	8,502
		684,375	321,630

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$177,179,000 (2018: HK$224,929,000).

(b) Government grants represented 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):

	2019	2018
	HK$'000	*HK$'000*
Employee benefits expenses including Directors' remuneration:		
Wages and salaries	**293,803**	381,748
Pension scheme contributions	**68,300**	72,564
	362,103	454,312
Cost of inventories sold *(a)*	**4,338,229**	5,395,144
Depreciation of property, plant and equipment	**479,343**	480,349
Depreciation of right-of-use assets	**25,605**	—
Amortisation of prepaid land lease payments	**—**	22,597
Amortisation of intangible assets	**3**	9
Amortisation of deferred income	**(13,857)**	(10,257)
Auditor's remuneration	**5,500**	5,500
Impairment of intangible assets	**—**	1,539
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net	**(113)**	(17,939)
Impairment of prepayments, deposits and other receivables, net	**13,322**	26,209
Research and development costs	**17,625**	3,097
Reversal of impairment of trade and bills receivables, net	**(9,701)**	(7,175)
Gain on disposal of prepaid land lease payments	**—**	(155,622)
Loss (Gain) on disposal of property, plant and equipment, net	**755**	(9,043)
Foreign exchange difference, net	**6,976**	(16,074)
Gain on deemed disposal of a subsidiary	**(42,973)**	—
Gain on disposal of right-of-use assets	**(4,334)**	—
Reversal of write-down of inventories, net *(b)*	**(59,700)**	(61,510)
Government compensation for relocation	**(428,409)**	—
Corn subsidy, included in cost of sales	**—**	(38,325)
Write-back of properties revaluation deficits charged to profit or loss in previous years	**(54,619)**	—

Remarks:

(a) Cost of inventories sold includes employee benefits 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.

(b) Reversal of write-down of inventories were included in other income and cost of sales in the amounts of HK$19,896,000 and HK$39,804,000 (2018: HK$13,631,000 and HK$47,879,000) respectively.

6. FINANCE COSTS

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

	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**376,262**	394,783
Finance costs for discounted bills receivables	**4,106**	15,357
Interest on financial guarantees given by Nongtou	**20,115**	11,453
Interest on payables to suppliers	**140,893**	84,746
Imputed interest on convertible bonds	**62,475**	58,701
Interest on lease liabilities	**225**	—
	604,076	565,040

7. INCOME TAX EXPENSES (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 (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	**478**	2,337
Overseas taxes *(a)*	—	(70,883)
	478	(68,546)
Deferred tax		
Origination and reversal of temporary differences, net	**39,239**	650
Income tax expenses (credit)	**39,717**	(67,896)

Remark:

(a) 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 (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$1,067,819,000 (2018: HK$1,222,322,000), and the weighted average number of ordinary shares in issue during the Year of 6,868,842,623 (2018: 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 2019 and 2018.

10. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**210,092**	467,968
Finished goods	**159,404**	277,525
	369,496	745,493

11. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**648,479**	940,904
Bills receivables	**2,907**	37,444
	651,386	978,348
Loss allowance	**(383,516)**	(404,081)
	267,870	574,267

The Group normally allows credit terms of 30 to 90 days (2018: 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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**176,294**	364,311
1 to 2 months	**46,925**	100,316
2 to 3 months	**9,760**	61,595
3 to 6 months	**14,214**	28,967
Over 6 months	**20,677**	19,078
	267,870	574,267

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 no significant concentration of credit risk while the total trade and bills receivables due from the Group's largest customer and the five largest customers are 11.0% (2018: 13.4%) and 33.0% (2018: 29.9%), respectively.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**57,762**	314,187
Deposits and other debtors	**93,198**	77,682
PRC value-added tax ("VAT") and other tax receivables	**106,316**	158,882
Receivables from disposal of assets *(a)*	**464,576**	475,135
	721,852	1,025,886

Remark:

(a) Included in the receivables from disposal of assets was the remaining consideration receivable from the Land Reserve Centre 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$444,444,000 (2018: HK$454,545,000) at 31 December 2019. The Group is currently in discussion with the Potential Purchaser on the disposal of the Relevant Properties. On 25 July 2019, the Land Reserve Centre and the Potential Purchaser entered into a transfer agreement pursuant to which the Land Reserve Centre agreed to transfer and the Potential Purchaser agreed to take up the rights and obligations in relation to the receivable. For details please refer to point 3 of "Update on Remedial Measures" of this announcement.

13. CASH AND CASH EQUIVALENTS

	2019	2018
	HK$'000	*HK$'000*
Cash and bank balances	**79,509**	135,033
Pledged bank deposits	**9,916**	203,918
	89,425	338,951
Less: pledged bank deposits for issuance of bills payables	**(9,916)**	(203,918)
	79,509	135,033

At the end of the reporting period, the cash and bank balances and pledged bank deposits of the Group denominated in Renminbi amounted to HK$44,361,000 (2018: HK$242,676,000). Renminbi 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 Renminbi 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

	2019	2018
	HK$'000	*HK$'000*
Trade payables		
— To third parties *(a)*	**1,174,565**	1,484,899
— To the Nongtou Group *(b)*	**372,467**	444,302
	1,547,032	1,929,201
Bills payables	**4,444**	233,684
	1,551,476	2,162,885

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 payables to the subsidiaries of Nongtou are unsecured and interest-bearing at 7.2% to 12.0% per annum (2018: 8.0% to 12.0% 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.

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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**319,900**	738,933
1 to 2 months	**113,490**	359,794
2 to 3 months	**32,609**	131,550
Over 3 months	**1,085,477**	932,608
	1,551,476	2,162,885

15. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Accruals for employee benefits	**274,352**	265,989
Advances received for relocation *(a)*	—	428,409
Payables for purchases of machinery	**123,518**	143,037
Receipts in advance *(b)*	**187,005**	177,179
Payables to the Nongtou Group *(c)*	**559,850**	463,879
VAT and other duties payables	**133,098**	125,728
Accruals and other creditors *(d)*	**769,743**	408,048
	2,047,566	2,012,269

Remarks:

(a) The balance represents advances from the Potential Purchaser, received through the Changchun Municipal Government in 2015 and 2018, for relocation of the Group's production facilities in Changchun. Such advance payment was recognised as compensation for the resumption of the Relevant Properties pursuant to an agreement entered into between the Group, the Potential Purchaser and the 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.

(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 years are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**177,179**	238,479
Recognised as revenue	**(177,179)**	(224,929)
Receipt of advances or recognition of receivables	**187,005**	177,179
Exchange realignment	**—**	(13,550)
At 31 December	**187,005**	177,179

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that were unsatisfied (or partially unsatisfied) at 31 December 2019 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.

(c) The payables represent advances from the subsidiaries of Nongtou which are unsecured, interest-bearing at 7.2% to 12.0% per annum (2018: 8.0% to 12.0% per annum) and repayable on demand and guarantee charge payables to Nongtou, which charged interest at 3.5% per annum (2018: 3.5% per annum).

(d) At 31 December 2019, accruals and other creditors included payables to the state-owned supplier amounted to approximately HK$25,470,000 (2018: HK$13,473,000) which are unsecured, interest-bearing at 8% to 12 % per annum (2018: 8% to 12 % per annum) after the lapse of the credit periods and repayable on demand.

16. DEEMED DISPOSAL OF A SUBSIDIARY AND DEEMED ACQUISITION OF A JOINT VENTURE

On 2 January 2019, the Group entered into a capital increase agreement (the "Capital Contributions") with a third party (the "Investor"), pursuant to which the Group shall make contribution in kind of HK$8,000,000 by way of transferring land use rights of a parcel of land in Changchun and the Investor shall make contribution in cash of approximately HK$26,902,000 to 長春萬祥玉米油有限公司 (Changchun Wanxiang Corn Oil Co., Ltd.) ("Wanxiang").

Following the completion of the Capital Contributions on 1 May 2019, the Group's equity interest in Wanxiang was diluted from 100% to 51% and Wanxiang ceased to be a subsidiary of the Company. Although a majority of board members of Wanxiang shall be nominated by the Group, the decision of certain key matters shall be approved by both the Group and the Investor. Therefore, Wanxiang becomes a joint venture of the Group upon the completion of the Capital Contributions.

The details are as follows:

(i) Interests in a joint venture at initial recognition

	HK$'000
Goodwill	12,115
Share of net liabilities, at initial recognition	(4,115)
Unrealised portion of the gain on disposal of a parcel of land	(2,123)
	5,877

(ii) Goodwill

	HK$'000
Fair value of a parcel of land contributed to a joint venture	8,000
Share of net liabilities, at initial recognition	4,115
	12,115

(iii) Gain on deemed disposal of a subsidiary

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	14,201
Intangible assets	52
Inventories	2,107
Trade receivables	808
Prepayments, deposits and other receivables	1,703
Cash and bank balances	6,131
Interest-bearing bank borrowings	(45,455)
Trade payables	(1,085)
Other payables and accruals	(13,409)
Amount due to ultimate holding company	(7,051)
Total identifiable net liabilities	(41,998)
Reclassification adjustment in respect of exchange reserve upon deemed disposal of a subsidiary	(975)
Gain on deemed disposal of a subsidiary	42,973
Consideration	—

	HK$'000
Satisfied by:	
Investment retained in a joint venture (former subsidiary), at fair value	—

(iv) Analysis of net outflow of cash and cash equivalents in respect of deemed disposal of a subsidiary

	HK$'000
Cash and cash equivalents deemed disposed of	(6,131)
Net outflow of cash and cash equivalents in respect of deemed disposal of a subsidiary	(6,131)

17. SHARE CAPITAL

	2019	2018
	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:		
7,678,798,032 (2018: 6,398,998,360) ordinary shares of HK$0.1 each	**767,880**	639,900

On 20 August 2019, the issued share capital of the Company was increased to HK$767,880,000 by allotting 1,279,799,672 ordinary shares of HK$0.1 each under the general mandate. These shares rank pari passu with the existing shares in all respects.

On 27 September 2019, the Company entered into the Second Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 1,228,607,685 new shares at the subscription price of HK$0.1080 per subscription share, at an aggregate consideration of HK$132,690,000. The Second Subscription Agreement and the transaction contemplated thereunder were approved by the independent shareholders of the Company on 12 December 2019. At the end of the reporting period, the transaction is yet to be completed.

18. FINANCIAL GUARANTEE CONTRACTS

Several 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. During the Year, certain subsidiaries of the Company, as guarantors of the financial guarantee contracts, paid interest of HK$110.8 million (2018: HK$105.2 million) in respect of the 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, among others, 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 34 to the consolidated financial statements, certain subsidiaries of the Company had jointly provided corporate guarantees 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 2018 and 2019 (the "Financial Guarantee Contracts"). In addition, an indirect major shareholder of the Company provided a 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 2018 and 2019 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$8,877 million and HK$4,346 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$1,116 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 the 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.

(iii) 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 million, for relocation of the Group's production facilities in Changchun. As mentioned in note 26(a) to the consolidated financial statements, the advances in the amount of HK$428 million were written back as "other income" during the year ended 31 December 2019 pursuant to an agreement entered into between the Group, the independent third party and the government bureau. However, 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 2018. Therefore, we were unable to determine whether any adjustments to the other income recognised during the year ended 31 December 2019 were necessary, which may have a significant impact 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.

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 as detailed in the annual report for the year ended 31 December 2018 ("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 2019 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 2018 Annual Report, the previous supplier guarantees contracts (the "Previous Supplier Guarantees") given by the Guarantor Subsidiaries for the benefit of Dajincang were not recognised in the Group's consolidated financial statements for the year ended 31 December 2018 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 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, 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 dated 25 February 2020, Dajincang has defaulted in the repayment of 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.

The Group recognised the finance costs amounted to approximately HK$110.8 million (2018: HK$105.2 million) to Weifeng BOC pursuant to the New Supplier Guarantees, which was included in other expenses for the Year.

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 in the PRC, the Jilin SASAC, Nongtou, and the management of the 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 the loans of the Group (including the GSH Group) in the amount of RMB1,526.5 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 GSH 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. The Company will endeavour to facilitate the materialisation of the debt restructuring. The Board expects that the Group (including the GSH 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 detail, please refer to point (a) in note 2.2 to the consolidated financial statements.

2. Material uncertainty related to going concern

As detailed in the 2018 Annual Report, the Auditor has raised fundamental uncertainties relating to the ability of the Group to continue as going concern. In addition to the remedial actions disclosed in the 2018 Annual Report, the management of the Company has taken and will take steps as outlined in note 2.2 to the consolidated financial statements of the Group for the Year to improve the financial position of the Group.

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

3. Prepayments, deposits and other receivables

As detailed in the 2018 Annual Report, the Group shall receive an aggregate compensation of RMB719.0 million from 長春市土地儲備中心 (Changchun Land Reserve Centre) ("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 in 2018. 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 it is subject to the completion of sale and purchase of 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 to speed up the process. As notified by the Land Reserve Centre in the second half of 2019, the Land Reserve Centre entered into a transfer agreement ("Land Resumption and Compensation Transfer Agreement") with the Potential Purchaser on 25 July 2019, pursuant to which the Land Reserve Centre agreed to transfer and the Potential Purchaser agree to take up the rights and obligations in relation to parcels of land and buildings under 長春市國有土地使用權土地收回補償合同 (Contract for Land Resumption and Compensation for State-Owned Land Use Rights in Changchun), including the outstanding payment of RMB400.0 million to a member of the Group. Subsequent to the Land Resumption and Compensation Transfer Agreement, the management of the Company has continued to negotiate actively with the Potential Purchaser for settlement of the receivables. Subsequently, the Group has received partial payment of the receivable in the first quarter of 2020. Based on the understanding of the management of the Group, the remaining balance of the receivable shall be received by the end of 2020.

The Auditor was satisfied with the audit evidence provided by the management of the Group in respect of the recoverability of the receivable and audit modification in this regard has been removed for the Year.

4. Other payables and accruals

As detailed in the 2018 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. The amount was recorded as other payables and accruals in the consolidated financial statements of the Group in 2018. The Auditor was unable to obtain sufficient appropriate audit evidence to verify the balance of the advance payment at 31 December 2018.

On 30 December 2019, the Changchun Municipal Government, the Potential Purchaser and the Company entered into a resumption compensation agreement, pursuant to which the parties confirmed, among others, the payment of RMB377.0 million made to the Group by the Potential Purchaser via the Changchun Municipal Government, and the satisfaction of the relocation progress of the Group which enabled the advance payment of RMB377.0 million to be recognised as compensation for the resumption of the Relevant Properties unconditionally. As the Auditor was satisfied with the relevant documents as audit evidence, the audit modification in relation to other payables and accruals of RMB377.0 million has been resolved as at 31 December 2019. However, the Auditor was unable to obtain direct confirmation or sufficient appropriate audit evidence by performing alternative procedures to verify the balance of the advances at 31 December 2018. Therefore, the Auditor was unable to determine whether any adjustments to the other income recognised during the Year were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the Year.

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, the trade war between the PRC and the United States (the "US") has dampened economic activities in the PRC and slowed down growth. Economic growth rate in the PRC dropped further to 6.1%, the slowest growth rate since 1990. On the other hand, outbreak of the African Swine Fever (the "ASF") across the PRC continued to pose impact on the husbandry and feed industries during the Year. The performance of the Group for the Year was under pressure.

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. On the other hand, due to the improvement in operational efficiency in the upstream corn refinery in the Jinzhou site, the performance of the Group's upstream business was relatively stable. Despite this, the operating environment going forward is still expected to be challenging as the effect of the outbreak of the ASF continues 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 decision to resume production of certain production facilities to maintain relatively healthy cash flow while balancing its market presence.

With respect to the lysine market, the outbreak of the ASF across the country had a great impact on the swine husbandry industry during the Year. According to the estimates from the industry, about a quarter of the world's pig population have either died of the ASF or have been killed to stamp out the spread of the ASF during the Year. As a result, the demands for lysine products in both the domestic market and the overseas market have shrunk significantly. The overall utilisation rate of the lysine manufacturers in the PRC was kept low during the Year with lysine price ranging from RMB6,700 to RMB7,500 per MT throughout the Year. 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 optimised the facility utilisation in response to market changes and has suspended its production operation since August 2019 for machinery overhaul while maintaining the sales operation of the amino acid series with its inventory. As a result, the Group's lysine segment recorded a significant decrease in revenue and gross loss for the Year.

As for the sugar market, 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) due to reduced production output. In the PRC, domestic sugar production remained at similar level at 10.7 million MT in the 2019/20 harvest (2018/19: 10.8 million MT), with consumption remained 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. On the other hand, a number of users in Huadong area have opted for vertical integration and expanded upstream to secure their feedstocks. Consequently, 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 a result, both revenue and gross profit of the Group's sweetener segment have dropped during the Year. The Group will continue to leverage on its brand name to strengthen sales; and at the same time, utilise its research and development capabilities to develop products that better suit market needs.

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. The Group will continue to observe the market and take a prudent approach before resuming its polyol chemical business.

Notwithstanding that the uncertainty over the trade disputes between the PRC and the US has gradually resolved, the operating environment in 2020 will still be challenging. While the ASF will continue to hit the husbandry and feed industries, the outbreak of the coronavirus disease (COVID-19) in China as well as other parts of the world has added further uncertainty on the already lackluster market. As announced by the Company on 10 February 2020, the Group has suspended production operation of certain subsidiaries. In the short run, the Group will continue to monitor closely the development of epidemics, the market conditions as well as the financial conditions of the Group and will ensure the production 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 customers-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, optimise utilisation rate to achieve operational efficiency in response to market moves. Internally, leveraging on the synergies as a result of the introduction and participation of the resourceful shareholder with state-owned enterprise background, 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 decreased by approximately 19.4% to approximately HK$4,561.4 million (2018: HK$5,657.7 million) during the Year, which was mainly attributable to the decrease in sales volume of the Group's downstream amino acids and sweeteners segments. As for the cost of raw material, due to changes in the agricultural subsidy policy of the provincial governments, no corn procurement subsidy (2018: HK$38.3 million) was entitled to the Group during the Year. On the other hand, despite the demand for corn from the feed industry shrank as a result of the ASF, the price of corn remained stable during the Year as the supply of corn kernels tightened with the China's ageing corn stock gradually digested and the demand from the biofuel sector remained strong during the Year. The Group's corn purchasing cost still increased slightly by 3.4% during the Year. Meanwhile, due to the continuous impact of the ASF throughout the Year, the average selling price of the Group's amino acid products decreased by 10.1%. As a result, the Group's gross profit dropped by 21.6% to approximately HK$203.5 million (2018: HK$259.7 million) with gross profit margin of 4.5% (2018: 4.6%).

Due to the recognition of a one-off compensation for the resumption of the Relevant Properties in the amount of approximately HK$428.4 million during the Year, the net loss and the EBITDA (i.e. earning before interest, taxation, depreciation and amortisation) for the Year reduced to approximately HK$1,116.3 million (2018: HK$1,299.2 million) and HK$32.4 million (2018: LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) HK$299.1 million), respectively. Nevertheless, the high debt level and low facilities utilisation rate of the Group have weighed on the Group's performance. 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 to push forward the debt restructuring plan to lower the debt level of the Group; 3) ensuring a stable supply of corn kernels through the connections of Nongtou by entering into the corn procurement contracts; and 4) introducing potential investors to further strengthen the working capital and financial position of the Group.

Upstream products

(Revenue: HK$2,626.3 million (2018: HK$2,710.5 million))
(Gross profit: HK$123.2 million (2018: HK$43.3 million))

During the Year, the revenue of the Group's upstream business slightly decreased by 3.1% to approximately HK$2,626.3 million (2018: HK$2,710.5 million). Despite the negative impact of the ASF, the Group managed to optimise its operation to focus on upstream operation and lower the facility utilisation of loss-making amino acids segment. As a result, during the Year, the sales volumes of corn starch and other corn refined products were approximately 694,000 MT (2018: 687,000 MT) and approximately 431,000 MT (2018: 471,000 MT) respectively. In addition, as the VAT deduction available for each MT of corn refined products increased as new basis for VAT assessment has been adopted in Jinzhou area, and the utilisation rate of the Group's upstream business was relatively stable during the Year, the gross profit margin of corn starch segment improved slightly to approximately 13.2% (2018: 12.2%) while the gross loss margin of other corn refined products segment improved to approximately 13.9% (2018: 18.5%). Consequently, the Group's upstream business recorded a gross profit of approximately HK$123.2 million (2018: HK$43.3 million) for the Year.

Internal consumption of corn starch was approximately 159,000 MT (2018: 285,000 MT), which was mainly used as raw material for the Group's downstream production.

Amino acids

(Revenue: HK$991.6 million (2018: HK$1,794.9 million))
(Gross loss: HK$53.2 million (2018: Gross profit HK$30.1 million))

The amino acids segment consists of lysine, protein lysine and threonine products. Due to the impact of the ASF, the sales volume of amino acids dropped by 117,000 MT to approximately 186,000 MT (2018: 303,000 MT), with the average selling price of amino acids down by 10.1%. As a result, the amino acids segment recorded a revenue of approximately HK$991.6 million (2018: HK$1,794.9 million) for the Year, representing 21.7% (2018: 31.7%) of the Group's revenue. Coupled with the cost pressure from the upstream corn starch segment, the amino acids segment recorded a gross loss of approximately HK$53.2 million (2018: gross profit: HK$30.1 million), with a gross loss margin of 5.4% (2018: gross profit margin: 1.7%).

While the effect of the ASF is expected to linger for a longer period of time, the outlook on feed related industry will be very challenging going forward. To cope with market changes, as announced by the Company on 16 December 2019 and 10 February 2020, the Group has suspended the production operation of the Group's amino acids production facilities since August 2019. While the Group will strive to resume production operation as soon as possible to the extent practicable, the Group's research and development team will continue 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 quickly to market changes and to offer more choices and better services to its customers.

Corn sweeteners

(Revenue: HK$918.4 million (2018: HK$1,121.1 million))
(Gross profit: HK$113.7 million (2018: HK$170.6 million))

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

During the Year, competition in the sweeteners market intensified with poor market sentiment, which was especially prominent in Northeast China region. As such, the Group has suspended the downstream production in the Jinzhou site since the third quarter of 2019 until the market conditions improve. As a result, the sales volume of corn sweeteners dropped by 19.6% to approximately 299,000 MT (2018: 372,000 MT) while revenue declined by 18.1% to approximately HK$918.4 million (2018: HK$1,121.1 million). Increased cost of upstream raw material and low facilities utilisation rate have driven up the average cost of sweetener products by 5.5% during the Year. As a result, the gross profit of the corn sweeteners segment decreased by 33.4% to approximately HK$113.7 million (2018: HK$170.6 million), with gross profit margin dropped by 2.8 percentage points to approximately 12.4% (2018: 15.2%) during the Year. As the macro economic environment is expected to be challenging in 2020, the Group will closely monitor market movements and adjust its production volume and product mix to cater to customer needs.

Polyol chemicals

(Revenue: HK$25.1 million (2018: HK$31.2 million))
(Gross profit: HK$19.8 million (2018: HK$15.7 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, 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, although the revenue of polyol chemicals segment declined by 19.6% to approximately HK$25.1 million (2018: HK$31.2 million), the polyol chemicals segment recorded a gross profit of approximately HK$19.8 million (2018: HK$15.7 million) with gross profit margin improved to 78.9% (2018: 50.3%), as substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years.

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 13.3% (2018: 20.8%) of the Group's total revenue. The Group has enhanced its capability in developing high value-added products for overseas market, the export sales of corn sweetener products increased by 13.3% to approximately HK$56.4 million (2018: HK$49.8 million). On the other hand, due to the outbreak of the ASF across Asia, the export sales of upstream products and amino acids decreased by 37.4% and 55.6% respectively to approximately HK$168.8 million (2018: HK$269.5 million) and HK$380.9 million (2018: HK$857.7 million) respectively during the Year. Consequently, the total export sales decreased by 48.5% to approximately HK$606.1 million (2018: HK$1,177.0 million) during the Year. No export sales of polyol chemicals was recorded during the Year (2018: Nil).

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

Other income and gains

During the Year, other income and gains increased by 112.8% to approximately HK$684.4 million (2018: HK$321.6 million). Such difference was mainly due to the recognition of a one-off compensation for the resumption of the Relevant Properties in the amount of approximately HK$428.4 million during the Year.

Selling and distribution costs

During the Year, the selling and distribution costs decreased by 30.2% to approximately HK$407.8 million (2018: HK$584.1 million), accounting for approximately 8.9% (2018: 10.3%) of the Group's revenue. Such decrease was mainly attributable to the decline in sales volume.

Administrative expenses

During the Year, administrative expenses kept at similar level at approximately HK$440.7 million (2018: HK$439.2 million), representing approximately 9.7% (2018: 7.8%) of the Group's revenue.

Other expenses

During the Year, other expenses increased by 41.7% to HK$510.4 million (2018: HK$360.1 million). These expenses mainly consists of expenses in relation to idle capacity of certain production facilities of the Group which amounted to approximately HK$342.7 million (2018: HK$179.7 million) and the payment of approximately HK$110.8 million (2018: HK$105.2 million) of finance costs pursuant to the New Supplier Guarantees.

Finance costs

During the Year, finance costs of the Group increased by 6.9% to approximately HK$604.1 million (2018: HK$565.0 million), which was mainly attributable to the increase in interest on payables to suppliers amounted to approximately HK$140.9 million (2018: HK$84.7 million) while the interest on bank and other borrowings dropped to approximately HK$376.3 million (2018: 394.8 million).

Income tax expenses (credit)

Due to the recognition of temporary differences, the Group recorded a deferred tax expense of approximately HK$39.2 million (2018: HK$0.7 million) during the Year. On the other hand, certain subsidiaries in the PRC generated net profit so PRC enterprise income tax of approximately HK$0.5 million (2018: HK$2.3 million) was recognised. As a result, the Group recorded income tax expenses of approximately HK$39.7 million (2018: tax credit: HK$67.9 million) during the Year. The income tax credit recorded in 2018 was a result of a one-off reversal of a provision for tax exposure for a subsidiary in Germany of approximately HK$70.9 million in 2018.

Loss shared by non-controlling shareholders

During the Year, GSH and an other non-wholly-owned subsidiary recorded losses of approximately HK$169.6 million (2018: HK$199.5 million), leading to loss shared by the non-controlling interests amounted to approximately HK$48.5 million (2018: HK$76.9 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2019 decreased by approximately HK$370.2 million to approximately HK$7,627.8 million (31 December 2018: HK$7,998.0 million) as a result of net repayment of certain bank and other borrowings of approximately HK$206.8 million and approximately HK$163.4 million as a result of exchange rate adjustment as at 31 December 2019. On the other hand, the cash and bank balances and pledged bank deposits as at 31 December 2019 decreased by approximately HK$249.6 million to approximately HK$89.4 million (31 December 2018: HK$339.0 million). As a result, the net borrowings decreased only slightly by approximately HK$120.6 million to HK$7,538.4 million (31 December 2018: HK$7,659.0 million).

Structure of interest-bearing bank and other borrowings

As at 31 December 2019, the Group's interest-bearing bank and other borrowings amounted to approximately HK$7,627.8 million (31 December 2018: HK$7,998.0 million), all (2018: all) of which were denominated in Renminbi. The average interest rate during the Year was approximately 6.9% (2018: 6.2%).

The percentage of interest-bearing and other borrowing wholly repayable within one year and in the second to the fifth years were 73.2% and 26.8% (31 December 2018: 76.6% and 23.4%), respectively. As at 31 December 2019, interest-bearing bank and other borrowings amounted to approximately RMB334.0 million (31 December 2018: RMB453.0 million) have been charged at fixed interest rates ranging from 7.0% to 13.6% (31 December 2018: 6.0% to 13.6%) for terms from one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were 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 on the Stock Exchange. No conversion right has been exercised by Modern Agricultural as at the date of this announcement.

As a result of the Subscription Completion on 20 August 2019, the conversion price of the outstanding Convertible Bonds was adjusted, in accordance with the terms and conditions of the Convertible Bonds, from HK$0.23 to HK$0.22 and the maximum number of shares issuable by the Company upon full conversion of the Convertible Bonds is 4,937,634,386 Shares. The adjustment has taken effect from 20 August 2019. Save for the above adjustments, all other terms and conditions of the Convertible Bonds remain unchanged.

At 31 December 2019, the Convertible Bonds were divided into liability component and equity component which amounted to approximately HK$1,034.2 million and HK$290.6 million (31 December 2018: HK$971.8 million and HK$290.6 million) respectively and effective imputed interest of HK$62.5 million (2018: HK$58.7 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 decreased to approximately 21 days (31 December 2018: 37 days) due to the strengthened control on credit terms. Meanwhile, the trade payables turnover days extended to approximately 156 days (31 December 2018: 129 days) during the Year, as better credit terms have been offered by the Nongtou Group to the Group during the Year. As the Group's inventory decreased by 50.4% to HK$369.5 million (31 December 2018: HK$745.5 million) as a result of the suspension of Dehui production site and Harbin production site since second half of 2019, the inventory turnover days decreased to 31 days (31 December 2018: 50 days).

As at 31 December 2019, the current ratio and the quick ratio of the Group declined to 0.1 (31 December 2018: 0.3) and 0.1 (31 December 2018: 0.2) respectively. Such declines were mainly due to the decrease of net current assets. The Group recorded a net loss of approximately HK$1,116.3 million (2018: HK$1,299.2 million) during the Year leading to the recorded net liabilities value of approximately HK$4,346.0 million (31 December 2018: HK$3,570.5 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) increased to 232.4% (31 December 2018: 180.6%). To improve the financial position of the Group, the Company has adopted a series of strategic measures as outlined in note 2.2 to the consolidated financial statements.

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 13.3% (2018: 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. In spite of the China-US trade tensions and the depreciation of Renminbi during the Year, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation in the short run. 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 Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

FUNDRAISING ACTIVITIES

Subscription of new shares under the general mandate

In order to raise capital to facilitate the general working capital and further strengthen the financial position of the Group, the Company entered into the Subscription Agreement with the Subscriber on 19 July 2019, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new ordinary shares at the subscription price of HK$0.10 per Subscription Share. The gross proceeds from the

Subscription amounted to approximately HK$127,980,000. The net proceeds from the Subscription, after the deduction of relevant expenses, was approximately HK$127,900,000. The Subscription Shares represent 20.0% of the total issued share capital of the Company immediately before the completion of the Subscription and approximately 16.7% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. All conditions precedent to the Subscription have been fulfilled or waived and the Subscription Completion took place on 20 August 2019.

The following table sets out the detailed breakdown and description of the use of the net proceeds from the Subscription:

Intended use of proceeds	**Timeline of use**	**Amount for the intended use of net proceeds (HK$) (approx.)**	**Amount actually used for the intended purpose (HK$) (approx.)**
Repayment of interest of bank borrowings of the Group	August 2019 — September 2019	31,000,000	31,000,000
Daily administrative and operational expenses of the Group	August 2019 — October 2019	62,500,000	62,500,000
Repayment of trade and other payables of the Group's PRC subsidiaries	August 2019	20,000,000	20,000,000
Procurement of corn and other general working capital	August 2019 — October 2019	14,400,000	14,400,000

Subscription of new shares under the specific mandate

As disclosed in the circular of the Company date 22 November 2019, the Group is in an imminent need of cash. On the other hand, the Subscriber had expressed its confidence in the future development of corn related industry and the Group, and its interest to further invest in the Group. On 27 September 2019, the Company entered into the Second Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,228,607,685 new ordinary shares (the "Second Subscription Shares") at the subscription price of HK$0.1080 per Second Subscription Share. The gross proceeds from the Second Subscription will amount to approximately HK$132,690,000. The net proceeds from the Second Subscription, after the deduction of relevant expenses, will be approximately HK$132,000,000. The Second Subscription Shares represent 16.0% of the total issued share capital of the Company immediately before the completion of the Second Subscription (the "Second Subscription Completion") and approximately 13.8% of the total issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription Shares. Despite all conditions precedent to the Second Subscription Completion have been fulfilled or waived, due to the delay in the Subscriber making fund transfer for the payment of the subscription price for the Second Subscription as a result of the outbreak of the coronavirus disease (COVID-19), the Second Subscription is yet to be completed as at the date of this announcement. The parties to the Second Subscription Agreement have agreed to extend the date by which the Subscriber shall make payment for the subscription price.

The following table sets out the detailed breakdown and description of the use of the net proceeds from the Second Subscription:

Intended use of proceeds	**Original expected timeline of use**	**Updated timeline of use**	**Amount for the intended use of net proceeds (HK$) (approx.)**
Repayment of trade and other payables of the Group's PRC subsidiaries	December 2019 – February 2020	April 2020 – May 2020	56,000,000
Procurement of corn and other operational expenses	December 2019 – February 2020	April 2020 – May 2020	76,000,000

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 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 GSH, 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 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.

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 GSH Group.

Certain financial covenants under the Loan Agreement have yet to be fulfilled and has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement with the outstanding principal amount of approximately RMB19.8 million as at the date of this announcement.

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 (excluding loans of the GSH Group) is approximately RMB3.7 billion together with outstanding interest as at the date of this announcement. The maximum liability guaranteed by the Group is approximately RMB3.9 billion, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements. Certain subsidiaries of the Group have also provided securities to secure the loans. Meanwhile, the GSH 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 the Company 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 together with outstanding interest as at the date of this announcement. Certain subsidiaries of the Group and the GSH Group have provided guarantees to Weifeng BOC to secure the obligations of Dajincang under the relevant loan agreements. The default in repayment of loans by the Group and the GSH Group may also trigger cross default of other loan agreements entered into by the Group and the GSH Group.

In mid-February 2020, the Company and GSH have 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 the loans of the Group and the GSH Group above which amounted to approximately RMB1.3 billion and RMB198.6 million respectively, 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 GSH Group have not been renewing the bank borrowings with their respective banks mentioned above. The default in the repayment of the loans as mentioned 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 GSH 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 GSH Group.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to Dajincang

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 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 Weifeng 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 Weifeng BOC for the New Supplier Loan. New Supplier Guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by the Guarantor Subsidiaries to Weifeng 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.

Similar to the disclosure under the section "Disclosure Pursuant to Rules 13.19 and 13.21 of the Listing Rules", the New Supplier Guarantees 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 announcements of the Company dated 24 September 2019 and 16 December 2019. Due to poor market sentiment and the impacts of the ASF, the production operations of certain subsidiaries of the Group have been suspended to minimise cash outflow. As at the date of this announcement, the production operation of such subsidiaries 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 subsidiaries 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 and the circular of the Company dated 22 November 2019, 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, 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.

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 2021
Modified starch — food grade (phase 1)	the Xinglongshan site	20,000	June 2019 – December 2020
Modified starch (phase 2)	the Xinglongshan site	60,000	Pending the availability of capital and favourable market condition
Corn oil	the Xinglongshan site	63,000	June 2019 – December 2020
Lysine	the Xinglongshan site/ Dehui City of Changchun	100,000	Pending the availability of capital and favourable market condition
Corn refinery	Dehui City of Changchun	600,000	Pending the availability of capital and favourable market condition

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)*
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000	Pending the availability of capital and favourable market condition

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.

IMPORTANT EVENT AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

As announced by the Company on 10 February 2020, certain subsidiaries of the Group have suspended their production and/or sales operation due to 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 production and/or sales operation of such subsidiaries of the Group 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 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, materialise the debts restructuring plan to improve the financial position of the Group and introduce strategic investors to form business alliance for sustainable development.

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, the proceeds from the compensation of land resumption of the Relevant Properties and through collaboration with industry players. 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 2019, the Group had approximately 4,300 (2018: 4,600) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and discretionary bonuses.

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 (2018: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

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

Code provision E.1.2 of the CG Code stipulates, among other things, that the chairman of the board should attend the annual general meeting. Mr. Yuan Weisen, the chairman of the Company did not attend the annual general meeting of the Company held on 28 June 2019 due to prior business engagement.

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

ANNUAL GENERAL MEETING

The 2019 annual general meeting of the Company will be held on Wednesday, 24 June 2020 at 11:30 a.m.. Notice of the 2019 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, 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 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 18 June 2020.

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 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 HKICPA 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 2020

As at the date of this announcement, the Board 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.