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If you have sold or transferred all your shares in **Global Bio-chem Technology Group Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

**(I) CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED EXTENSION OF
THE MATURITY DATE OF THE CONVERTIBLE BONDS;
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER;
(III) RE-ELECTION OF DIRECTORS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
Independent Board Committee and Independent Shareholders**



A letter from the Board is set out on pages 6 to 36 of this circular. A letter from the Independent Board Committee (as defined in this circular) containing its recommendation to the Independent Shareholders is set out on pages 37 to 38 of this circular. A letter from Octal Capital, the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 68 of this circular.

A notice convening the EGM to be held at Bauhinia Room I-II, 4th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Monday, 30 November 2020 is set out on pages 253 to 256 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. at or before 10:30 a.m. on Saturday, 28 November 2020 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* for identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Announcement”	the announcement dated 25 September 2020 in relation to the Transactions
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of Directors
“Bondholder”	Modern Agricultural Industry Investment Limited, a company incorporated in the British Virgin Islands which is the controlling shareholder of the Company holding approximately 35.2% of the issued share capital of the Company as at the Latest Practicable Date
“Business Day”	any day (other than Saturdays) on which licensed banks in Hong Kong are open for business
“Company”	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00809)
“Conditions Precedent”	the conditions precedent set out in the paragraph headed “The Supplemental Agreement – Conditions Precedent” in this circular
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Price”	the adjusted conversion price of HK\$0.21 per Conversion Share, which is subject to further adjustment pursuant to the terms and conditions of the Convertible Bonds

DEFINITIONS

“Conversion Rights”	the rights attached to the Convertible Bonds to convert the principal amount of the Convertible Bonds or part thereof into the Conversion Shares
“Conversion Share(s)”	the new Shares which may be issued upon exercise by the holder(s) of the Convertible Bonds of the Conversion Rights under the Convertible Bonds
“Convertible Bonds”	the convertible notes in the principal amount of HK\$1,086,279,565 issued by the Company pursuant to the terms of the Subscription Agreement
“Directors”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Bauhinia Room I-II, 4th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Monday, 30 November 2020, the notice of which is set out on pages 253 to 256 of this circular, and any adjournment thereof, to consider and, if thought fit, to approve the Extension and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director)
“Extended CB Maturity Date”	15 June 2023
“Extension”	the proposed extension of the Maturity Date from 15 October 2020 to the Extended CB Maturity Date (i.e. 15 June 2023)
“Extension Last Trading Day”	24 September 2020, being the last trading day immediately before the date of the Supplemental Agreement
“Group”	the Company and its subsidiaries from time to time

DEFINITIONS

“GSH”	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03889) and a non-wholly-owned subsidiary of the Company
“HK Bloom”	HK Bloom Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Board Committee”	an independent committee of the Board which comprises all the independent non-executive Directors who have no direct or indirect interest in the Supplemental Agreement or the Whitewash Waiver established in compliance with (i) Rule 2.8 of the Takeovers Code to advise the Independent Shareholders on the fairness and reasonableness of terms of the Supplemental Agreement and the Whitewash Waiver; and (ii) Rules 14A.40 and 14A.41 of the Listing Rules to advise the Independent Shareholders on the fairness and reasonableness of terms of the Supplemental Agreement, and how to vote on the relevant resolutions at the EGM or the adjournment thereof in respect of the Transactions
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, the independent financial adviser appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transaction contemplated thereunder as well as the Whitewash Waiver and as to voting

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“Independent Shareholders”	the Shareholders other than the Bondholder, its associates and parties acting in concert with it, and those parties who are involved or interested in the Supplemental Agreement, the transaction contemplated thereunder and the Whitewash Waiver and those who are required to abstain from voting at the EGM to consider the approval of the Extension and the Whitewash Waiver under the Listing Rules and the Takeovers Code
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange
“Latest Practicable Date”	4 November 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 October 2020 or such later date as the parties to the Supplemental Agreement may agree in writing
“Maturity Date”	the date falling on the fifth anniversary of the issue of the Convertible Bonds, i.e., 15 October 2020
“PRC”	the People’s Republic of China
“Re-election”	the proposed re-election of (i) Mr. Gao Dongsheng as a non-executive Director; and (ii) Ms. Dong Hongxia as an independent non-executive Director
“Relevant Period”	the period between 25 March 2020 (being the date falling six months prior to 25 September 2020, the date of publication of the Announcement) and the Latest Practicable Date (both dates inclusive)

DEFINITIONS

“SFO”	Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement dated 30 August 2015 entered into between the Company and the Bondholder in relation to, among others, the subscription of the Convertible Bonds
“Supplemental Agreement”	the supplemental agreement dated 25 September 2020 entered into between the Company and the Bondholder in relation to the Extension
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs of Hong Kong
“Transactions”	the Supplemental Agreement together with the transaction contemplated thereunder and the Whitewash Waiver
“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Bondholder and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or acquired by the Bondholder and parties acting in concert with it under Rule 26 of the Takeovers Code which would otherwise arise as a result of the Bondholder obtaining the Conversion Shares upon the exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Supplemental Agreement
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Yuan Weisen *(Administrative and executive duties
suspended with effect from 20 October 2020)*

Mr. Zhang Zihua

Mr. Liu Shuhang

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Director:

Mr. Gao Dongsheng

*Head office and principal place
of business in Hong Kong:*

Suites 2202-4, 22nd Floor

Tower 6, The Gateway,

9 Canton Road,

Tsimshatsui, Kowloon

Hong Kong

Independent non-executive Directors:

Ms. Dong Hongxia

Mr. Ng Kwok Pong

Mr. Yeung Kit Lam

6 November 2020

To the Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED EXTENSION OF
THE MATURITY DATE OF THE CONVERTIBLE BONDS;
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER;
(III) RE-ELECTION OF DIRECTORS;
AND
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The primary purpose of this circular is to:

- (a) provide you with further information relating to the Transactions;

* for identification purposes only

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- (b) set out (i) the recommendation of the Independent Board Committee after having considered the advice of the Independent Financial Adviser as to whether the Transactions are, or are not, fair and reasonable and as to voting; and (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on whether the Transactions are, or are not, fair and reasonable and as to voting;
- (c) provide you with further information in relation to the re-election of (i) Mr. Gao Dongsheng as a non-executive Director; and (ii) Ms. Dong Hongxia as an independent non-executive Director;
- (d) provide the financial information of the Group;
- (e) provide the valuation report on the property interest held by the Group;
- (f) provide other information as required under the Listing Rules and the Takeovers Code; and
- (g) give you notice of the EGM to consider and if thought fit, approve the Transactions and the Re-election.

2. THE SUPPLEMENTAL AGREEMENT

Background

Reference is made to the announcements of the Company dated 30 August 2015 and 15 October 2015 and the circular of the Company dated 21 September 2015 in relation to, among others, the subscription of the Convertible Bonds by the Bondholder. Reference is also made to the announcements of the Company dated 27 September 2019 and 29 April 2020 in relation to, among others, the adjustment of the Conversion Price of the Convertible Bonds. Reference is further made to the announcement of the Company dated 25 September 2020, in relation to, among others, the Transactions.

On 25 September 2020 (after trading hours), the Company and the Bondholder entered into the Supplemental Agreement to extend the Maturity Date by 32 months from 15 October 2020 to the Extended CB Maturity Date (i.e. 15 June 2023) subject to fulfilment of the Conditions Precedent.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Bondholder is interested in approximately 35.2% of the entire issued share capital of the Company. Accordingly, the Bondholder is a controlling Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

Conditions Precedent

The Supplemental Agreement will only become effective upon all the following Conditions Precedent having been fulfilled:

- (a) the Stock Exchange having approved the Extension as contemplated by the Supplemental Agreement;
- (b) the Stock Exchange granting its approval for the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Supplemental Agreement;
- (c) the Executive having granted the Whitewash Waiver; and
- (d) the Company having obtained the approval by at least 50% of the votes cast by the Independent Shareholders (including the grant of specific mandate to the Directors to issue and allot the Conversion Shares) for the Supplemental Agreement and the transaction contemplated thereunder and the approval by at least 75% of the votes cast by the Independent Shareholders for the Whitewash Waiver at the EGM by way of poll.

None of the above Conditions Precedent can be waived. If any of the Conditions Precedent shall not have been fulfilled by the Long Stop Date, the Supplemental Agreement shall lapse and the parties thereto shall release each other from all obligations thereunder save for claim (if any) in respect of any antecedent breach thereof.

The Extension shall take effect from the date of fulfillment of the Conditions Precedent. The Bondholder agrees and undertakes with the Company not to exercise any of the Conversion Rights, nor to effect any transfer, assignment or other disposal of all or any of the Convertible Bonds at any time from the date of the Supplemental Agreement up to and including the effective date of the Extension.

LETTER FROM THE BOARD

As the original Maturity Date shall fall on 15 October 2020 whereby the Company shall be obliged to fully redeem the Convertible Bonds, in the event that any of the Conditions Precedent are not fulfilled on or before 15 October 2020 and the Supplemental Agreement cannot become effective by 15 October 2020, the Conversion Rights attached to the Convertible Bonds may no longer be exercised by the Bondholder and the Convertible Bonds should be fully redeemed by the Company by 15 October 2020 pursuant to the existing terms and conditions of the Convertible Bonds, failure of which will constitute an event of default. Nonetheless, the Bondholder has agreed under the Supplemental Agreement to waive all its rights and claims against the Company for the Company's failure to repay the outstanding principal amount of the Convertible Bonds on or before the Maturity Date and confirms that such failure to repay by the Company does not constitute a breach by the Company of the Convertible Bonds nor an event of default under the Convertible Bonds subject to the condition that the Company shall make payment of all outstanding interest to the Bondholder as mutually agreed by 15 October 2020 and all outstanding principal amount and interest of the Convertible Bonds shall be fully repaid by 15 January 2021. Such waiver is not subject to the fulfillment of conditions precedent under the Supplemental Agreement and will survive the lapse of the Supplemental Agreement if any of the Conditions Precedent are not fulfilled by the Long Stop Date.

As at the Latest Practicable Date, all outstanding interest due to the Bondholder by the Company has been fully settled by the Company.

As at the Latest Practicable Date, none of the Conditions Precedent has been fulfilled.

Listing Approval

No application has been or will be made by the Company for the listing of the Convertible Bonds. Application has been made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Supplemental Agreement.

LETTER FROM THE BOARD

Principal terms of the Convertible Bonds immediately after the Extension

All the terms of the Convertible Bonds shall remain unchanged and in full force save and except as revised by the Extension. The principal terms of the Convertible Bonds as disclosed in the announcement of the Company dated 30 August 2015 and the circular of the Company dated 21 September 2015 are reproduced below (with only amendments made in relation to the Extension and the Conversion Price having been adjusted in accordance with the conditions of the Convertible Bonds):

Interest rate : The Convertible Bonds shall carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears.

Maturity and redemption : Without prejudice to the paragraph headed “Events of default” below, the Company may, subject to prior agreement with the holder(s) of the Convertible Bonds, redeem at any time prior to the Extended CB Maturity Date all or part of the outstanding principal amount (unless previously converted, redeemed or cancelled) of the Convertible Bonds (together with accrued and unpaid interest, if any, in respect of the Convertible Bonds to be redeemed up to and including the redemption date) on a specified redemption date, by giving the holder(s) of the Convertible Bonds no less than 30 days’ notice of the date fixed for such redemption and the principal amount and interest amount to be redeemed.

The outstanding principal amount of the Convertible Bonds (unless previously converted into the Shares or repaid in accordance with the conditions of the Convertible Bonds) and all outstanding interest payable in relation to the Convertible Bonds, shall be repaid by the Company to the holder(s) of the Convertible Bonds subject to and in accordance with the terms of the Convertible Bonds on the Extended CB Maturity Date at 100% of the outstanding principal amount of the Convertible Bonds. The Convertible Bonds may not be repaid or redeemed otherwise than in accordance with the conditions of the Convertible Bonds.

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- Ranking of the Conversion Shares : The Convertible Bonds will be convertible into the Conversion Shares, which shall rank *pari passu* in all respects with all other existing Shares outstanding on the date of conversion and the Bondholder shall be entitled in respect of its Conversion Shares to all dividends and other distributions the record date of which falls on the date of conversion or the date after that.
- Conversion period: The holder(s) of the Convertible Bonds shall have 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 their Convertible Bonds into the Shares at any time after the effective date of the Extension, being the date of fulfillment of all Conditions Precedent until the date seven days before (and excluding) the Extended CB Maturity Date, provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued shares at the relevant time in compliance with the Listing Rules.
- Conversion price : The price at which the Conversion Shares will be issued upon exercise of the Conversion Rights will be HK\$0.21 per Share.
- The Conversion Price is subject to adjustment in accordance with the terms and conditions of the Convertible Bonds. For details of the adjustment events and the corresponding adjustment formula, please refer to the paragraph headed “Adjustment of Conversion Price” below.
- Voting rights : The holder(s) of the Convertible Bonds will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being the holder(s) of the Convertible Bonds.

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Events of default : Pursuant to the Subscription Agreement, if any of the events specified below occurs, the Company shall within 10 days of such event occurring give notice to the holder(s) of the Convertible Bonds. Within 10 days after the Company despatches the notice, any holder(s) of the Convertible Bonds holding, or one or more holder(s) of the Convertible Bonds together holding, at least 76% of the then outstanding principal amount of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable, whereupon they shall become immediately due and payable in the amounts which would otherwise be due on the Extended CB Maturity Date:

- (a) a default is made for more than seven days in any payment of any principal or interest relating to the Convertible Bonds when and as the same ought to be paid in accordance with the conditions of the Convertible Bonds;
- (b) a default is made by the Company in the performance or observance of any covenant, condition or provision of the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal of the Convertible Bonds) and such default continues for the period of 30 days next following the service by a holder of the Convertible Bonds, or holders of the Convertible Bonds together, holding at least 51% of the then outstanding principal amounts of Convertible Bonds on the Company of notice requiring such default to be remedied;
- (c) a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a holder of the Convertible Bonds, or holders of the Convertible Bonds together, holding at least 51% of the then outstanding principal amounts of Convertible Bonds;

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- (d) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company or any of its subsidiaries;
- (e) a distress, execution or seizure order before judgement is levied or enforced upon or sued out against the whole or a material part of the property of the Company or any of its subsidiaries (as the case may be) and is not discharged within 40 days thereof;
- (f) the Company or any of its subsidiaries is unable to pay its debts (save and except for such debts as set out in the disclosure letter to the Subscription Agreement) as and when they fall due or the Company or any of its subsidiaries shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganisation or insolvency law or make an assignment for the benefit of, or enter into any composition with, its creditors;
- (g) early termination of any of the documents in relation to the arrangement between the Group and some of its principal banks in relation to the restructuring of certain bank borrowings of the Group in 2015 (for details, please refer to the Company's circular dated 21 September 2015) or any breach or default by the Company and/or any of its subsidiaries (as the case may be) in the performance or observance of any undertaking, covenant, condition or provision of such documents (such restructuring was completed in 2015);
- (h) proceedings shall have been initiated against the Company or any of its subsidiaries under any applicable bankruptcy, reorganisation or insolvency law and such proceedings shall not have been discharged or stayed within a period of 60 days;

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- (i) any event occurs which has an analogous effect to any of the events referred to in paragraphs (a) to (h) above;
- (j) the listing of the Shares is withdrawn from the Stock Exchange; or
- (k) trading of the Shares is suspended for a consecutive period of more than 90 Business Days.

Transfer : Subject to the Bondholder's agreement and undertaking with the Company not to effect any transfer, assignment or other disposal of all or any of the Convertible Bonds from the date of the Supplemental Agreement up to and including the effective date of the Extension, the Convertible Bonds are freely assignable and transferrable by the holder(s) of the Convertible Bonds subject to the applicable laws and regulations and the Listing Rules, provided that the Convertible Bonds may not be transferred by the holder(s) of the Convertible Bonds, without the prior written consent of the Company, to any connected person of the Company. Any transfer of any Convertible Bond shall be in respect of the whole of the outstanding principal amount or multiples of units of principal amount of HK\$1,000,000 of that Convertible Bond.

Form and denomination : The Convertible Bonds will be issued in registered form in the denomination of HK\$1,000,000 and integral multiples thereof.

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Adjustment of Conversion Price

Subject to the terms and conditions of the Convertible Bonds, the Conversion Price shall from time to time be adjusted in accordance with the following relevant provisions and if the event giving rise to any such adjustment shall be such as would be capable of falling within more than one of the following provisions, it shall fall within the first of the applicable provisions to the exclusion of the remaining provisions:

(i) Consolidation, subdivision or reclassification:

If and whenever there shall be an alteration to the share capital of the Company as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where:

- A is the number of issued Shares immediately before such alteration;
and
- B is the number of issued Shares immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) Capitalisation of profits or reserves:

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend (the “**Relevant Cash Dividend**”), being a dividend which the Shareholders concerned would or could otherwise have received in cash (“**Scrip Dividend**”),

LETTER FROM THE BOARD

the Conversion Price shall be adjusted in the case of an issue of Shares other than by way of Scrip Dividend by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the number of issued Shares immediately before such issue; and
- B is the number of issued Shares immediately after such issue; and

in the case of an issue of Shares by way of a Scrip Dividend the Current Market Price of which Shares exceeds 120 per cent. of the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a capital distribution, by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of issued Shares immediately before such issue;
- B is the number of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount per Share of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the number of Shares issued in respect of each existing Share in lieu of the whole, or the relevant part of the Relevant Cash Dividend; and
- C is the number of Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an approved merchant bank or the auditors of the Company shall certify to the Company is fair and reasonable and is acceptable to the holder(s) of the Convertible Bonds concerned.

Such adjustment shall become effective on the date of issue of such Shares.

LETTER FROM THE BOARD

(iii) *Capital distribution:*

If and whenever the Company shall pay or make any capital distribution to the Shareholders (except where the Conversion Price falls to be adjusted under subparagraph (ii) above or falls within sub-paragraph (ii) above but no adjustment falls to be made), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the dealing day last preceding the date on which the capital distribution is publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by an approved merchant bank or the auditors of the Company, of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is actually made.

(iv) *Rights issues of Shares or options over Shares:*

If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent. of the Current Market Price per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

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where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the rights or for the options or warrants or other rights issued by way of rights and for the total number of Shares comprised therein would subscribe for or purchase at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

(v) *Rights issues of other securities:*

If and whenever the Company shall issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last dealing day preceding the date on which such issue or grant is publicly announced; and
- B is the fair market value on the date of such announcement as determined in good faith by an approved merchant bank or the auditors of the Company, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or grant of such rights, options or warrants (as the case may be).

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(vi) *Issues at less than Current Market Price:*

If and whenever the Company shall issue (otherwise than as mentioned in subparagraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90 per cent. of the Current Market Price on the dealing day last preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{C}$$

where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for or purchase any Shares;
- B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such Shares or, as the case may be, the issue or grant of such options, warrants or other rights.

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(vii) Other issues at less than Current Market Price:

Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (vii), if and whenever the Company or any subsidiary of the Company (otherwise than as mentioned in sub-paragraphs (iv), (v) or (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other person shall issue wholly for cash any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90 per cent. of the Current Market Price per Share on the last dealing day preceding the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted, by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such issue (or grant);
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or subscription for or exchange of or upon exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued upon conversion into or subscription for exchange of such securities or upon the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue (or grant) of such securities.

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(viii) Modification of rights of conversion etc. :

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in subparagraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the Current Market Price per Share on the last dealing day preceding the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price; and
- C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

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(ix) Other offers to Shareholders:

If and whenever the Company or any subsidiary of the Company or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary of the Company) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary of the Company or such other person pursuant to which offer all or substantially all the Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-paragraphs (iv) to (vii) above), the Conversion Price shall be adjusted by, multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Share on the last dealing day preceding the date on which such issue is publicly announced; and
- B is the fair market value on the date of such announcement, as determined in good faith by an approved merchant bank or the auditors of the Company, of the portion of the relevant offer attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

(x) Other events:

If the Company considers that it would be appropriate for an adjustment to be made to the Conversion Price as a result of one or more events or circumstances not referred to above, the Company shall at its own expense, request an approved merchant bank or the auditors of the Company to determine (acting as experts) as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (provided that the adjustment would result in a reduction in the Conversion Price) shall be made and shall take effect in accordance with

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such determination, provided that an adjustment shall only be made pursuant to this paragraph if the approved merchant bank or the auditors of the Company is so requested to make such a determination; provided that where the circumstances giving rise to any adjustment pursuant to the events as set out above have already resulted or will result in an adjustment to the Conversion Price or where any other circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the above provisions as may be advised by the approved merchant bank or the auditors of the Company in question to be in their opinion appropriate to give the intended result.

The above adjustment event is to cater for circumstances which are currently unforeseen, whereby it will provide a mechanism for the Company to adjust the Conversion Price, which adjustment may result in an increase or a reduction of the Conversion Price, and since an adjustment shall only be made if determined by an approved merchant bank or the auditors of the Company as fair and reasonable, the Directors consider that the above adjustment event is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

For the purpose of the above price adjustment events, “Current Market Price” means, in respect of a Share at a particular date the average of the closing prices published in the Stock Exchange’s daily quotations sheet for one Share (assuming a transaction in a board lot) for the five consecutive dealing days ending on and including the dealing day last preceding such date; provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued will not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and
- (ii) if the Shares to be issued will rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

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and provided further that if the Shares on each of the relevant five dealing days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

Effect on the shareholding structure of the Company

Assuming there being no change in the share capital and shareholding structure of the Company from the Latest Practicable Date other than the allotment and issue of the Conversion Shares issuable under the Convertible Bonds, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full conversion of the Convertible Bonds; and (iii) immediately upon maximum conversion of the Convertible Bonds assuming the Company is to be in full compliance with the minimum public float requirement under the Listing Rules is as follows:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Convertible Bonds (at the Conversion Price)		Immediately upon maximum conversion of the Convertible Bonds assuming the Company is to be in full compliance with the minimum public float requirement under the Listing Rules (at the Conversion Price)	
	Number	%	Number	%	Number	%
	of Shares	(Approx.)	of Shares	(Approx.)	of Shares	(Approx.)
<i>Connected Persons</i>						
— Bondholder and concert parties (Notes 1 and 2)	3,135,509,196	35.2	8,308,269,029	59.0	7,282,271,101	55.8
— HK Bloom (Note 2)	2,508,407,357	28.2	2,508,407,357	17.8	2,508,407,357	19.2
Public Shareholders	3,263,489,164	36.6	3,263,489,164	23.2	3,263,489,164	25.0
				(Note 3)		
Total:	<u>8,907,405,717</u>	<u>100.0</u>	<u>14,080,165,550</u>	<u>100.0</u>	<u>13,054,167,622</u>	<u>100.0</u>

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Notes:

- (1) The entire issued share capital of the Bondholder is held by Modern Agricultural Industry Investment Holdings Limited (“**Modern Agricultural Holdings**”) which is in turn wholly-owned by 吉林省現代農業產業投資基金 (Jilin Province Modern Agricultural Industry Investment Fund*) (“**PRC LLP**”). The sole general partner of PRC LLP is 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Limited*) (“**GP**”). As at the Latest Practicable Date, the investment capital of PRC LLP is owned as to 60% by 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.*) (“**Nongtou**”) (Nongtou is controlled by 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*) (“**Jilin SASAC**”), as to 26.7% by 銀華資本管理(珠海橫琴)有限公司 (Yinhua Capital Management (Zhuhai Hengqin) Co., Ltd.*) (“**Yinhua Capital**”) and as to 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.*) (“**Changchun Investment Fund**”). Accordingly, each of the Bondholder, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by the Bondholder in the Company under the SFO.
- (2) HK Bloom is beneficially owned as to 50% by Mr. Li Zhenghao and 50% by Ms. Sun Zhen. HK Bloom has obtained ruling from the Executive in November 2019 that the presumed concert party relationship between HK Bloom and the Bondholder pursuant to class (1) of the definition of “acting in concert” under the Takeovers Code is rebutted.
- (3) Pursuant to the terms of the Convertible Bonds, the Bondholder shall not exercise the Conversion Rights to such an extent that the public float of the Shares shall become less than 25% of the issued Shares at the relevant time in breach of the minimum public float requirement under the Listing Rules.

Fundraising activities of the Company in the past 12 months

The following table sets out the fundraising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date and the detailed breakdown and description of the use of the net proceeds:

Date of announcement	Fundraising activity	Intended use of proceeds	Expected timeline of use	Net proceeds raised (HK\$) (approx.)	Amount actually used for the intended purpose (HK\$) (approx.)
27 September 2019	Subscription of new Shares	Repayment of trade and other payables of the Group’s PRC subsidiaries	April 2020 — September 2020	56,000,000	56,000,000
		Procurement of corn and other operational expenses	August 2020 — September 2020	76,000,000	76,000,000

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The total net proceeds from the above subscription of new Shares have been fully utilised in accordance with the intended use and expected timeline of use.

Save as disclosed above, the Company has not conducted any other equity fundraising activities during the past 12 months immediately preceding the Latest Practicable Date.

Reasons and benefits for the Extension

As at the Latest Practicable Date, the Bondholder was interested in 3,135,509,196 Shares, representing approximately 35.2% of the existing issued share capital of the Company. In the event of full conversion of the Convertible Bonds held by the Bondholder in the aggregate principal amount of HK\$1,086,279,565 at the Conversion Price of HK\$0.21 per Conversion Share, 5,172,759,833 Conversion Shares will be issuable to the Bondholder and the Bondholder will become interested in an aggregate of 8,308,269,029 Shares, representing approximately 59.0% of the enlarged issued share capital of the Company.

The Board (including the independent non-executive Directors) is of the view that the Extension is necessary for the following reasons:

- (1) full conversion of the Convertible Bonds on 15 October 2020 in the absence of the Extension will result in less than 25% of the Company's issued share capital being held by the public as that required by Rule 8.08 of the Listing Rules; and
- (2) The Bondholder has indicated to the Company that, although they intend to increase its voting rights in the Company through the exercise of the Conversion Rights, they are not willing to convert all or part of the Convertible Bonds on or before the Maturity Date given the out-of-money situation where the adjusted Conversion Price of HK\$0.21 per Conversion Share, which represents (a) a premium of approximately 76.5% to the closing price of HK\$0.119 per Share on the date of the Supplemental Agreement; (b) a premium of approximately 83.6% of the average closing price of HK\$0.1144 per Share of the last five consecutive trading days prior to and excluding the date of the Supplemental Agreement; and (c) a premium of approximately HK\$0.78 to the unaudited net liabilities value per Share of approximately HK\$0.57 based on the published unaudited consolidated net liabilities of the Company of approximately HK\$5,070.9 million as at 30 June 2020 and the then total number of issued Share of 8,907,405,717. Yet, the Group also

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lacks the financial resources to fully redeem the Convertible Bonds given its financial conditions. For the six months ended 30 June 2020, the Group has recorded unaudited net liabilities of approximately HK\$5,070.9 million. Full redemption of the Convertible Bonds will have negative adverse impact on the cashflow and financial stability of the Group. To avoid the Group defaults in its repayment of the Convertible Bonds on the Maturity Day, the Group has requested for the Extension so as to allow the Group to have reasonable time to improve its business performance and financial position, and the Bondholder has agreed to such request.

It is the ongoing effort of the management of the Group to improve the financial conditions of the Group through, amongst others, (i) the relocation of the Group's production facilities in Luyuan District, Changchun to the Xinglongshan site to facilitate the resumption of land and properties and upgrade the Group's production facilities so as to improve the operation efficiency and product mix of the Group to cope with changing market needs; and (ii) the debt restructuring plan. Upon the Extension and after the Group's financial conditions and performance have improved, the Company will endeavour to facilitate the Bondholder's full or partial conversion of the Conversion Bonds while observing the minimum public float requirement under the Listing Rules. The Company will at the same time prepare to repay all or part of the Convertible Bonds by the Extended CB Maturity Date with the proceeds from the resumption of the land and properties of the Group in Luyuan District, Changchun.

The Board (including the independent non-executive Directors) considers that, although the Extension is not in the ordinary course of business of the Group, and yet given the nature of and the reasons for the transaction, the terms and conditions of the Supplemental Agreement are fair and reasonable and on normal commercial terms, and the Extension is in the interests of the Company and the Shareholders as a whole.

Information on the Group

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of corn refined products and corn based biochemical products in the PRC.

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Information on the Bondholder

The Bondholder is an investment holding company incorporated in the British Virgin Islands. It is the controlling shareholder of the Company holding approximately 35.2% of the entire issued share capital of the Company as at the Latest Practicable Date. The ultimate beneficial owners of the Bondholder are Jilin SASAC which is a government agency, Yinhua Capital which is a Chongqing municipal government owned company principally engaged in asset management, and Changchun Investment Fund which is a Changchun municipal government owned investment company.

The Bondholder intends that, following the entering into of the Supplemental Agreement, the Group will continue to operate and develop its existing business, and it has no intention to introduce any material changes in the business (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

3. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. In accordance with Rule 28.05 of the Listing Rules, application will be made by the Company to the Stock Exchange for (1) the approval to the Extension; and (2) the granting of the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Supplemental Agreement.

The Extension also constitutes a grant of securities convertible into shares and is subject to approval by the Shareholders pursuant to Rule 13.36(1)(a) of the Listing Rules. As the Bondholder holds approximately 35.2% of the issued share capital of the Company as at the Latest Practicable Date and is a connected person of the Company, the Extension also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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4. APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER

The number of Conversion Shares to be issued upon full conversion of the Convertible Bonds after the Extension remains unchanged. As illustrated in the table under the paragraph headed “2. The Supplemental Agreement – Effect on the shareholding structure of the Company” in this circular, full conversion of the Convertible Bonds at the Conversion Price by the Bondholder would result in the shareholding in the Company of the Bondholder and parties acting in concert with it being increased from approximately 35.2% to approximately 59.0%. This will render the Bondholder together with parties acting in concert with it to be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Bondholder (together with its concert parties) under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

An application has been made by the Bondholder to the Executive for the grant of the Whitewash Waiver to waive the obligations of the Bondholder to make a mandatory general offer for all the issued securities of the Company not already owned or agreed to be acquired by the Bondholder and parties acting in concert with it which would otherwise arise as a result of the issue of the Conversion Shares to the Bondholder upon the exercise of the Conversion Rights of the Convertible Bonds as soon as possible. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll and the approval by more than 50% of the Independent Shareholders at the EGM by way of poll approving the Supplemental Agreement and the transaction contemplated thereunder.

The Bondholder, its associates and concert parties and those parties who are involved or interested in the Supplemental Agreement, the transaction contemplated thereunder and the Whitewash Waiver shall abstain from voting on the resolutions to be proposed at the EGM to approve, among others, the same.

The Executive may or may not grant the Whitewash Waiver. The Supplemental Agreement shall lapse and the parties thereto shall release each other from all obligations thereunder if the Whitewash Waiver is not granted to the Bondholder or if not approved by the Independent Shareholders.

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If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Bondholder and its concert parties in the Company will exceed 50% after the exercising of their Conversion Rights in full. The Bondholder and its concert parties may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Yet, as at the Latest Practicable Date, the Bondholder does not intend to exercise its Conversion Rights to such an extent that it would be interested in 50% or more of the voting rights in the Company, as the obtaining of statutory control in the Company will trigger the mandatory general offer obligation by the Bondholder in respect of the shares of GSH under Note 8 to Rule 26.1 of the Takeovers Code. Assuming there is no other change in the share capital and shareholding structure of the Company from the Latest Practicable Date other than the allotment and issue of the Conversion Shares issuable under the Convertible Bonds, the maximum number of the Conversion Shares which may be converted by the Bondholder at the adjusted Conversion Price of HK\$0.21 upon exercising the Conversion Rights without triggering the mandatory general offer obligation in respect of the shares of GSH under Note 8 to Rule 26.1 of the Takeovers Code is approximately 2,633,333,333.

As at the Latest Practicable Date:

- (1) no Conversion Share has been allotted and issued under the Convertible Bonds;
- (2) the Conversion Price (which is subject to adjustments) is HK\$0.21 per Conversion Share after the adjustment to the Conversion Price from HK\$0.23 to HK\$0.22 which took effect upon the completion of the share subscription by HK Bloom on 20 August 2019 and the adjustment to the Conversion Price from HK\$0.22 to HK\$0.21 which took effect upon the completion of the share subscription by HK Bloom on 29 April 2020;
- (3) the Bondholder (together with its concert parties) owns or has control or direction over approximately 35.2% of the voting rights of the Company;
- (4) the Convertible Bonds are convertible to a maximum of 5,172,759,833 Conversion Shares on the basis of an aggregate principal amount of HK\$1,086,279,565 to be converted at the Conversion Price of HK\$0.21 per Conversion Share (subject to adjustments) and assuming that there being no change to the share capital and shareholding structure of the Company save for

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the allotment and issue of the Conversion Shares under the Convertible Bonds, the 5,172,759,833 Conversion Shares issuable upon full conversion of the Convertible Bonds represent:

- (i) approximately 58.1% of the existing issued share capital of the Company as at the Latest Practicable Date; and
 - (ii) approximately 36.7% of the issued share capital of the Company as enlarged by the issue of the 5,172,759,833 Conversion Shares;
- (5) other than the Convertible Bonds, there is no outstanding derivative in respect of securities in the Company entered into by the Bondholder or any person acting in concert with it;
 - (6) save as disclosed under the paragraph headed “2. The Supplemental Agreement – Effect on the shareholding structure of the Company” in this circular, neither the Bondholder nor any person acting in concert with it holds any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
 - (7) the Bondholder and any person acting in concert with it had not entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
 - (8) there was no agreements or arrangements to which the Bondholder is a party which related to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the Supplemental Agreement and the Whitewash Waiver, other than those set out in the paragraph headed “Conditions Precedent” in this circular;
 - (9) the Bondholder or any party acting in concert with it has not received any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Supplemental Agreement, the transaction contemplated thereunder and the Whitewash Waiver;
 - (10) neither the Bondholder nor any person acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

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- (11) there is no consideration, compensation or benefit in whatever form paid or to be paid by the Bondholder or parties acting in concert with it to the Company or any party acting in concert with it in connection with the transaction contemplated under the Supplemental Agreement;
- (12) there is no understanding, arrangement, agreement or special deal between the Bondholder or parties acting in concert with it on the one hand, and the Company and parties acting in concert with it on the other hand; and
- (13) there is no understanding, arrangement, agreement or special deal between (i) any Shareholder; and (ii)(a) the Bondholder and parties acting in concert with it; or (b) the Company, its subsidiaries or associated companies.

As at the Latest Practicable Date, the Company does not believe that the Extension and the Whitewash Waiver give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Extension and the Whitewash Waiver do not comply with other applicable rules and regulations.

5. DISCLOSURE OF DIRECTORS' INTERESTS

Mr. Yuan Weisen and Mr. Zhang Zihua, both executive Directors, are nominees of the Bondholder on the Board, and Mr. Gao Dongsheng, a non-executive Director, is a director of Changchun Investment Fund, and therefore are all interested in the Transactions. Mr. Yuan Weisen, Mr. Zhang Zihua and Mr. Gao Dongsheng have accordingly abstained from voting in respect of the relevant Board resolutions approving, among others, the Transactions.

Saved as disclosed, none of the Directors has a material interest in the Transactions.

6. RE-ELECTION OF DIRECTORS

Reference is made to the announcement of the Company dated 30 June 2020, in relation to, among others, the appointment of Directors.

The Board has appointed Mr. Gao Dongsheng (“**Mr. Gao**”) as a non-executive Director and Ms. Dong Hongxia (“**Ms. Dong**”) as an independent non-executive Director with effect from 30 June 2020.

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Pursuant to article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company and shall then be eligible for re-election at the meeting. By virtue of article 112 of the Articles of Association, the office of Mr. Gao, a non-executive Director and Ms. Dong, an independent non-executive Director will end at the EGM. Mr. Gao and Ms. Dong, being eligible, will offer themselves for the Re-election at the EGM.

The nomination committee (the “**Nomination Committee**”) of the Company identifies individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship, the appointment or re-appointment of the Directors. In recommending Ms. Dong to stand for re-election as an independent non-executive Director, the Nomination Committee has assessed and reviewed the written confirmation of independence of Ms. Dong based on the independence criteria as set out in Rule 3.13 of the Listing Rules and is satisfied that she remains independent in accordance with Rule 3.13 of the Listing Rules. Based on the board diversity policy adopted by the Company, the Nomination Committee also considered that in view of the educational backgrounds and experiences as set out in Appendix I to this circular, Ms. Dong and Mr. Gao will bring valuable perspectives, knowledge, skills and experiences to the Board for its efficient and effective functioning and their appointments will contribute to the diversity (in particular in terms of skills) of the Board appropriate to the requirements of the Group’s business.

Biographical information of Mr. Gao and Ms. Dong is set out in Appendix I to this circular.

7. EGM

The Company will convene the EGM at Bauhinia Room I-II, 4th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Monday, 30 November 2020 for the Independent Shareholders to consider and, if thought fit, approve (i) the Extension under the Supplemental Agreement and the transaction contemplated thereunder; (ii) the Whitewash Waiver; and (iii) the Re-election. A notice of the EGM is set out on pages 253 to 256 of this circular.

The Bondholder, its associates and concert parties and those parties who are involved or interested in the Supplemental Agreement and the transaction contemplated thereunder and the Whitewash Waiver shall abstain from voting on the resolutions in relation to the Transactions. Other than the Bondholder, no other Shareholders are

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required to abstain from voting on the resolutions to be proposed at the EGM or any adjournment thereof in respect of the Transactions.

As at the Latest Practicable Date, the Bondholder (including its associates and concert parties) was entitled to voting rights of 3,135,509,196 Shares (representing approximately 35.2% of the total voting rights of the holders of the Shares) and is a controlling Shareholder. The Bondholder (including its associates and concert parties) controls or is entitled to control over the entire voting right in respect of its Shares.

No Shareholders has a material interest in the Re-election, and accordingly, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM or any adjournment thereof in respect of the Re-election.

A form of proxy for use at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy to Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM (i.e. at or before 10:30 a.m. on Saturday, 28 November 2020 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution to be proposed at the EGM will be taken by poll, the results of which will be announced after the conclusion of the EGM in accordance with the Takeovers Code and the Listing Rules.

8. PRECAUTIONARY MEASURES FOR THE EGM

Taking into account the ongoing development of the pandemic caused by the coronavirus disease 2019 (COVID-19), the Company strongly recommends the Shareholders to appoint the chairman of the EGM as their proxy to vote on their behalf in respect of the resolutions to be proposed at the EGM to minimise the risk of infection. For Shareholders attending the EGM in person, the Company will implement the following prevention and control measures at the EGM:

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- (a) compulsory body temperature check will be conducted for every Shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.2 degrees Celsius may be denied entry into the venue or be required to leave the venue (Shareholders whose entry to the venue are denied are still eligible to exercise their voting rights in respect of the resolutions to be proposed at the EGM);
- (b) every Shareholder or proxy is required to sterilise their hands with hand sanitiser after they register their attendance at the counter at the entrance of the venue;
- (c) every Shareholder or proxy is required to wear a surgical mask in the venue and throughout the meeting; and
- (d) no refreshments will be served.

9. RECOMMENDATION

The Transactions

The Independent Board Committee, which comprises all three independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Transactions and as to voting. None of the members of the Independent Board Committee has any interest or involvement in the Transactions.

The Independent Financial Adviser has been appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions and as to voting.

Your attention is drawn to:

- (1) the letter from the Independent Board Committee set out on pages 37 to 38 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders as to whether the Transactions are, or are not, fair and reasonable and as to voting; and
- (2) the letter from Octal Capital set out on pages 39 to 68 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders as to whether the Transactions are, or are not fair and reasonable and the principal factors and reasons taken into consideration by the Independent Financial Adviser in arriving at its advice and as to voting.

LETTER FROM THE BOARD

Having considered the above principal factors and reasons, the Directors (including the independent non-executive Directors) are of the view that the Transactions are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the EGM to approve, ratify and/or confirm (as the case maybe) the Supplemental Agreement and the transaction contemplated thereunder; and (ii) the special resolution to be proposed at the EGM to approve the Whitewash Waiver.

The Re-election

The Directors consider the re-election of Mr. Gao as the non-executive Director and Ms. Dong as the independent non-executive Director is in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM and the adjournment thereof.

10. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendixes to this circular and the notice of the EGM.

The Extension is conditional upon, including but not limited to approval of the Extension by the Independent Shareholders at the EGM, and the granting of the Whitewash Waiver by the Executive. As such, the Extension may or may not proceed.

Shareholders and investors are advised to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

By order of the Board
Global Bio-chem Technology Group Company Limited
Zhang Zihua
Acting Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out their recommendation to the Independent Shareholders in relation to the Transactions.



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)

6 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**(I) CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED EXTENSION OF
THE MATURITY DATE OF THE CONVERTIBLE BONDS;
AND
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER**

We refer to the circular issued by the Company to its shareholders dated 6 November 2020 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transaction contemplated under the Supplemental Agreement constitutes connected transaction for the Company and is subject to the approval of the Independent Shareholders.

Under the Takeovers Code, the Company’s application for the grant of the Whitewash Waiver is also subject to the approval of the Independent Shareholders.

We have been appointed by the Board to form the Independent Board Committee which comprises all the independent non-executive Directors to consider (i) the connected transaction in relation to the extension of the Maturity Date of the Convertible Bonds pursuant to the terms and conditions contained in the Supplemental Agreement together with the transaction contemplated thereunder; and (ii) the Whitewash Waiver (collectively, the “**Proposed Transactions**”), as to whether, in our opinion, the terms and conditions of

* for identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned and whether such connected transaction is in the interests of the Company and its Shareholders as a whole.

Octal Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders as to whether the Proposed Transactions are, or are not, fair and reasonable and as to voting.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 36 of the Circular which contains, among others, information on the Proposed Transactions as well as the letter from Octal Capital as set out on pages 39 to 68 of the Circular which contains its advice in respect of the Proposed Transactions.

Having considered the principal factors and reasons considered by, and the advice of, Octal Capital as set out in the letter from the Independent Financial Adviser, we consider that, although the Extension is not in the ordinary course of business of the Group, and yet given the nature of and the reasons for the transaction, the terms and conditions of the Proposed Transactions are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders to vote in favour of the (i) ordinary resolutions to be proposed at the EGM in respect of the connected transaction in relation to the extension of the Maturity Date of the Convertible Bonds pursuant to the terms and conditions contained in the Supplemental Agreement together with the transaction contemplated thereunder; and (ii) the special resolution to be proposed at the EGM in respect of the Whitewash Waiver.

Yours faithfully,

For and on behalf of

Independent Board Committee

Ms. Dong Hongxia

Mr. Ng Kwok Pong

Mr. Yeung Kit Lam

Independent non-executive Directors

LETTER FROM OCTAL CAPITAL

The following is the full text of the letter from Octal Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular.



801-805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

6 November 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(I) CONNECTED TRANSACTION IN RELATION TO THE PROPOSED
EXTENSION OF MATURITY DATE OF CONVERTIBLE BONDS;
AND
(II) APPLICATION FOR THE GRANT OF THE WHITEWASH WAIVER**

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transaction contemplated thereunder, details of which are contained in the circular to the Shareholders dated 6 November 2020 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 25 September 2020 (after trading hours), the Company and the Bondholder entered into the Supplemental Agreement to extend the maturity date of the Convertible Bonds by 32 months from 15 October 2020 to the Extended CB Maturity Date (i.e. 15 June 2023) subject to fulfilment of the Conditions Precedent.

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. In accordance with Rule 28.05 of the Listing Rules, application will be made by the Company to the Stock Exchange for (1) the approval to the Extension; and (2) the granting of the listing of, and permission to deal in, the Conversion Shares fall to be issued upon exercise of the Conversion Rights attached to the Convertible Bonds as amended and supplemented by the Supplemental Agreement.

LETTER FROM OCTAL CAPITAL

The Extension also constitutes a grant of securities convertible into shares and is subject to approval by the Shareholders pursuant to rule 13.36(1)(a) of the Listing Rules. As the Bondholder holds approximately 35.2% of the issued share capital of the Company and is a connected person of the Company, the Extension also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Upon full conversion of the Convertible Bonds, assuming that there is no other changes in the issued share capital of the Company, the Bondholder's shareholding in the Company will be increased from approximately 35.2% of the existing issued share capital of the Company to approximately 59.0% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. This will render the Bondholder (together with parties acting in concert with it) to be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Bondholder (together with its concert parties) under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive.

The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll and the approval by more than 50% of the Independent Shareholders at the EGM by way of poll approving the Supplemental Agreement and the transaction contemplated thereunder. The Bondholder, its associates and concert parties and those parties who are involved or interested in the Supplemental Agreement, the transaction contemplated thereunder and the Whitewash Waiver shall abstain from voting on the resolutions to be proposed at the EGM to approve, among others, the same.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors, namely Ms. Dong Hongxia, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam, has been established. The Independent Board Committee will advise the Independent Shareholders as to whether the terms of the Supplemental Agreement and the transaction contemplated thereunder, and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the forthcoming EGM taking into account the advice of the Independent Financial Adviser.

LETTER FROM OCTAL CAPITAL

We, Octal Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transaction contemplated thereunder, and to make recommendations as to, among others, whether the terms of the Supplemental Agreement and the transaction contemplated thereunder are fair and reasonable and as to the voting on the Supplemental Agreement and the transaction contemplated thereunder, and the Whitewash Waiver. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

OUR INDEPENDENCE

In the two years immediately preceding the date of the Supplemental Agreement and up to the Latest Practicable Date, we were only engaged by the Company as an Independent Financial Adviser to the Company in respect of the continuing connected transactions in relation to the new master supply agreement and the master sales agreement (details can be referred to the circular of the Company dated 25 October 2018) and the connected transaction in relation to the subscription of new shares under specific mandate (details can be referred to the circular of the Company dated 22 November 2019) (the “**Previous Engagements**”). Under the Previous Engagements, we were required to express our opinion on and give recommendations to the Independent Board Committee and Independent Shareholders in respect of the abovementioned transactions. Apart from normal professional fee payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial Shareholders or the Bondholder or any of its subsidiaries or their respective associates, and any parties acting in concert with them.

We consider our independence is unaffected due to the facts that (i) under Previous Engagements, we were entitled to receive normal professional fee that are comparable to market rates; (ii) we have discharged our responsibilities with due care and skill and performed our duties with impartiality in respect of each of our engagements with the Company; and (iii) each of the engagement was handled independently as an individual task. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules. As at the Latest Practicable Date, there is no financial and business relationship between us and the Directors, chief executives of the Company, substantial Shareholders and the Bondholder or any of their respective subsidiaries or associates, and any parties acting in concert with them, and we are therefore considered independent and suitable to give independent advice to the Independent Board Committee and the Independent Shareholders pursuant to Rule 2.6 of the Takeovers Code.

LETTER FROM OCTAL CAPITAL

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussions with the management of the Company regarding the Group, the Bondholder and the Supplemental Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Bondholder and their respective associates nor have we carried out any independent verification of the information supplied.

As set out in the responsibility statement in Appendix III of the Circular, the Directors collectively and individually accept full responsibility, which includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular (other than information relating to the Bondholder and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Bondholder and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the sole director of the Bondholder) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

The sole director of the Bondholder accepts and the directors of Nongtou jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM OCTAL CAPITAL

Should there be any material changes after the Latest Practicable Date, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

I. THE SUPPLEMENTAL AGREEMENT

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the transaction contemplated thereunder, we have taken into account the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in the manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals. The raw materials of the Group's products are mainly corn kernels and corn starch. The upstream corn refinery segment 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. The major production bases of the Group are located in Northeast China.

2. Background of the Bondholder

The Bondholder is a company incorporated in the British Virgin Islands. It is the controlling shareholder of the Company holding approximately 35.2% of the entire issued share capital of the Company as at the Latest Practicable Date. The ultimate beneficial owners of the Bondholder are Jilin SASAC which is a government agency, Yinhua Capital which is a Chongqing municipal government owned company principally engaged in asset management, and Changchun Investment Fund which is a Changchun municipal government owned investment company.

3. Financial information of the Group

Review of financial performance

Set out below is a summary of the consolidated financial information of the Group for each of the two financial years (the "FY") 2018 and 2019 and the six months ended 30 June 2020 as extracted from the annual report of the Company for FY2019

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(the “**Annual Report**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report**”), respectively:

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	5,657,726	4,561,391	2,799,444	479,135
Cost of sales	(5,398,016)	(4,357,862)	(2,745,683)	(438,231)
Gross profit	259,710	203,529	53,761	40,904
Gross profit margin	4.6%	4.5%	1.9%	8.5%
Loss for the year/period	(1,299,219)	(1,116,334)	(838,241)	(902,843)

Source: Annual Report and Interim Report

FY2019 versus FY2018

The Group recorded revenue of approximately HK\$5,657.7 million and approximately HK\$4,561.4 million for FY2018 and FY2019, respectively, representing a decrease of approximately 19.4%, which was mainly due to the decrease in sales volume of the Group’s amino acid segment and sweetener segment. The reduction in sales volume of amino acid products was mainly attributable to the prolonged negative impact imposed by the African Swine Fever (the “**ASF**”), which substantially lowered the swine production in the PRC. The Group’s amino acid segment mainly served the customers from the feed industry and therefore the demand of amino acid products was reduced. Consequently, the Group decided to suspend the production of amino acid segment from August 2019 (As at the Latest Practicable Date, the production of amino acid segment is still suspended). For the sweetener segment, keen market competition and depressed sugar price in the PRC market had put the demand and selling prices for sweetener products under pressure, leading to a reduction in the sales volume of sweetener products.

Meanwhile, the gross profit of the Group decreased by approximately HK\$56.2 million from approximately HK\$259.7 million for FY2018 to approximately HK\$203.5 million for FY2019, with a mild drop of gross profit margin from 4.6% for FY2018 to 4.5% for FY2019.

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The loss after taxation slightly improved from approximately HK\$1,299.2 million for FY2018 to approximately HK\$1,116.3 million for FY2019, due to the significant increase in other income and gains by approximately HK\$362.7 million which is partly offset by the increase in other expense by approximately HK\$150.3 million. The increment in other income and gains was attributable to a one-off compensation of approximately HK\$428.4 million granted by the Changchun Municipal Government for the resumption of relevant properties in Luyuan District, Changchun unconditionally. The discussion of resumption of relevant properties in Luyuan District commenced since 2013. It was agreed among the parties that the resumption of the relevant properties in Luyuan District, Changchun, to be carried out by stages. To encourage the Company speeding up the relocation of production facilities in Luyuan District, the Changchun Municipal Government agreed to advance funding to facilitate the relocation of the Group's production facilities according to an agreed timetable and such advance payment in aggregate of RMB377.0 million was received by the Group in 2015 and 2018 from the Changchun Municipal Government. The amount was recorded as other payables and accruals in the consolidated financial statements of the Group in 2015 to 2018. The Group received a written confirmation from the Changchun Municipal Government in 2019 that the Changchun Municipal Government has satisfied with the relocation progress and confirmed that the advance payment of RMB377.0 million was part of the compensation for the resumption of the relevant properties in Luyuan District unconditionally. Such amount has been recognized as other income and gain in the income statement of FY2019. However, the auditor of the Company is unable to (i) obtain direct confirmation or sufficient appropriate audit evidence by performing alternative procedures to verify the balance of the relevant advances of RMB377.0 million (approximately HK\$428.4 million) as at 31 December 2018 and (ii) determine whether any adjustments to the one-off compensation of RMB377.0 million (approximately HK\$428.4 million) recognized during FY2019 should be made. If the one-off compensation of HK\$428.4 million is excluded, the loss for FY2019 will be further increased by HK\$428.4 million.

The increment in other expenses was mainly driven by the expenses in relation to the idle capacity (including labour cost, depreciation of machinery, etc.), which increased from approximately HK\$179.7 million for FY2018 to approximately HK\$342.7 million for FY2019 because the production facilities of the amino acid segment also stopped from August 2019. When the production is in normal operation, the direct operating expenses are capitalized as inventory and subsequently recognized as cost of sales when the inventories are sold. However, due to the suspension of production, these expenses are no longer capitalized as inventory but they are charged to the income statement directly when they are incurred.

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The auditors of the Company, Mazars CPA Limited, issued disclaimer opinion for the financial statements of the Group for the two years ended 31 December 2019.

Six months ended 30 June 2020 versus six months ended 30 June 2019

The Group's revenue declined significantly by approximately 82.9% from approximately HK\$2,799.4 million for the six months ended 30 June 2019 to approximately HK\$479.1 million for the six months ended 30 June 2020, which was mainly attributable to (i) the continued suspension of operation of most of the subsidiaries in the PRC due to unfavourable market condition and the suspension of economic activities in the PRC as a result of COVID-19; (ii) decrease in the demand of the products of the Group following the outbreak of COVID-19 in the PRC; and (iii) the significant increase in corn price due to the temporary tightening supply of corn kernels caused by the disruption of transportation during the lockdown period from January 2020 to March 2020 in the PRC.

During the first half of 2020, the drastic drop in revenue leads to a significant decrease in gross profit by approximately 24.0% to approximately HK\$40.9 million as compared to the gross profit for the six months ended 30 June 2019. During the first half of 2019, the Group's gross profit margin was only approximately 1.9%. The low gross profit margin is mainly caused by the deteriorated performance of the amino acid segment which used to account for at least 50% of the Group's gross profit in the previous years. As discussed above, the amino acid segment was adversely affected by the ASF. The amino acid segment recorded a gross loss of approximately HK\$34.7 million and gross loss margin of approximately 3.9% during the first six months of 2019. As compared to the gross profit margin of approximately 1.9% for the six months ended 30 June 2019, the gross profit margin surged to approximately 8.5% during the first half of 2020 because (i) a higher portion of expenses in relation to suspension of operation (for example, labour cost, depreciation of plants and machinery, etc.) amounting to approximately HK\$246.0 million (as compared to HK\$106.8 million for the six months ended 30 June 2019) has been allocated to other expenses, leading to a lower average cost of sales of the Group; and (ii) the improvement in the gross profit margin of upstream segment (that is the Group's corn refinery business which produces corn starch and other corn refined products) from 2.0% for the six months ended 30 June 2019 to 6.4% for the six months ended 30 June 2020 due to the reform of value-added tax ("VAT") in the PRC (including change of the calculation methodology of VAT since August 2019), leading to a higher deductible VAT and a reduction in cost of sales of the upstream products.

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Due to significant drop in gross profit and higher finance cost of the Group of approximately HK\$360.3 million (HK\$301.2 million for the six months ended 30 June 2019), the Group recorded a net loss of approximately HK\$902.8 million for the six months ended 30 June 2020 as compared to a net loss of approximately HK\$838.2 million for the six months ended 30 June 2019.

Review of financial position

Set out below is the summary of the audited consolidated statement of financial position of the Group as at 31 December 2018 and 2019 and unaudited condensed consolidated statement of financial position as at 30 June 2020 extracted from the Annual Report and Interim Report, respectively:

	As at		
	31 December		30 June
	2018	2019	2020
	(Audited)	(Audited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	7,140,242	6,782,016	6,484,317
Current assets	2,684,597	1,452,913	1,019,611
Total assets	9,824,839	8,234,929	7,503,928
Non-current liabilities	2,987,019	2,251,035	198,757
Current liabilities	10,408,354	10,329,885	12,376,029
Total liabilities	13,395,373	12,580,920	12,574,786
Net current liabilities	7,723,757	8,876,972	11,356,418
Net liabilities	3,570,534	4,345,991	5,070,858
Deficit attributable to owners of the Company	3,447,881	4,197,865	4,870,286
Cash and bank balances	135,033	79,509	86,812
Interest-bearing bank and other borrowings			
— Current portion	6,127,288	5,583,337	7,491,867
— Non-current portion	1,870,716	2,044,444	—
Total borrowings	7,998,004	7,627,781	7,491,867
Current ratio ^{Note 1}	0.3 time	0.1 time	0.1 time
Gearing ratio ^{Note 2}	180.6%	232.4%	309.5%

Source: Annual Report and Interim Report

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Note 1: Current ratio represents total current assets divided by total the current liabilities

Note 2: Gearing ratio represents total debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. total interest-bearing bank and other borrowings minus net liabilities)

As at 31 December 2019, the Group had current assets of approximately HK\$1,452.9 million (31 December 2018: approximately HK\$2,684.6 million), and current liabilities of approximately HK\$10,329.9 million (31 December 2018: approximately HK\$10,408.4 million), representing net current liabilities of approximately HK\$8,877.0 million (31 December 2018: net current liabilities of approximately HK\$7,723.8 million). As at 30 June 2020, the Group's current asset has dropped to approximately HK\$1,019.6 million and the current liabilities has further increased to approximately HK\$12,376.0 million, leading to net current liabilities of approximately HK\$11,356.4 million. The Group's current ratio has been under 1.0 time as at 31 December 2018, 31 December 2019 and 30 June 2020, indicating that the Group has been under pressure on meeting its short-term repayment obligations.

As at 31 December 2019, the Group had cash and bank balances of approximately HK\$79.5 million (31 December 2018: approximately HK\$135.0 million). The cash and bank balance remained at a low level at approximately HK\$86.8 million as at 30 June 2020, indicating that the Company has faced a very challenging cash flow pressure in view of the increasing liabilities and the prolonged suspension of majority of production facilities due to temporary shortage of corn in the PRC, the poor market sentiments faced by the Group as discussed above and the negative impact of the COVID-19.

The Group's total borrowings amounted to approximately HK\$7,627.8 million as at 31 December 2019 (31 December 2018: approximately HK\$7,998.0 million), and decreased slightly to approximately HK\$7,491.9 million as at 30 June 2020. The Group's gearing ratios as at 31 December 2019 were approximately 232.4% and further increased to approximately 309.5% as at 30 June 2020. Such increase in the gearing ratio of the Group was mainly due to the net loss recorded by the Group during the first half of 2020. The high gearing ratio of the Group represents that the Group relied heavily on debt to support its operations.

During FY2018 and FY2019, the auditors of the Group issued disclaimer of opinion and have significant doubt on the Group's ability to continue as a going concern due to the existence of a material uncertainty of the Group.

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As set out in Appendix IV of this Circular, the property valuer of the Company, Roma Appraisal Limited (the “**Property Valuer**”), has confirmed that there is no material change to the market value of the properties as at 31 August 2020 from the property valuation as at 31 December 2019. We understand from the Property Valuer that due to the travelling restrictions caused by COVID-19, the Property Valuer was unable to conduct physical inspection for the properties and thus the Property Valuer performed other review procedures including but not limited to (i) compared the recent pictures of the properties against the pictures previously taken by them; (ii) discussed with the management of the Company whether there are any material changes in conditions, usage and nature of the properties; and (iii) reviewed the opinion issued by the Group’s PRC legal advisers; and (iv) reviewed copies of extracts of various title documents relating to the properties in the PRC. Having considered the procedures conducted by the Property Valuer, we are of the view that the approach adopted by the Property Valuer for the preparation of the property report in Appendix IV of the Circular is reasonable.

Based on the result of property valuation in Appendix IV of the Circular, if the land of the Group is booked at fair value, the net book value of the land may be increased by approximately HK\$505.5 million as at 31 December 2019. Even taking consideration of such valuation surplus, the Group is still in net liabilities position.

Outlook and prospects

As mentioned in the Interim Report, due to the outbreak of COVID-19 in 2020, the lockdown situation has caused delay in transportation of corn kernels and delay in corn auctions in the PRC during the first six months of 2020. As a result, the performance of the Group’s upstream product segment and corn sweetener segment were negatively impacted.

In light of the challenging operating environment, apart from the suspension of the Group’s operations in Harbin, Dehui and Xinglongshan and the downstream operation of Jinzhou since second half of 2019, the Group has suspended its upstream operation in Jinzhou in the second quarter of 2020 to reduce operating cash outflow and reserve sufficient financial resources until the market conditions improve. The continued impact of the COVID-19 on the Group’s business operation and the impact of the ASF in the PRC on the Group’s amino acid segment may further negatively affect the Group’s overall operation. Moreover, the tension between China and the US will all pose significant uncertainties to international trade and business environment which may affect the prices of corn kernels and other grains, as well as the competitiveness of the Group’s products in overseas markets, such as Asia (such as Vietnam and Indonesia), America and other European regions. The

LETTER FROM OCTAL CAPITAL

total export sales to these overseas markets accounted for approximately 13.3% and 6.3% of the Group's total revenue for FY2019 and the six months ended 30 June 2020, respectively. The operating environment in the second half of 2020 is expected to be challenging. The management of the Company will closely monitor market conditions and be cautious in making decisions on the Group's business strategies so as to resume and optimize the operation of the Group's production facilities and maintain relatively healthy cash flow.

4. Reasons and benefits for the Extension

Current operation of the Group

As disclosed in the announcement dated 29 May 2020 and the Interim Report, the procurement activities of corn kernels were slowed down as a result of the outbreak of the COVID-19. The PRC government intends to increase its grain reserves, which leads to the tightening supply of corn kernels. As a result, the domestic corn price in the PRC surged, for example, the corn price in Shandong increased from approximately RMB1,990 per MT in January 2020 to approximately RMB2,510 per MT in August 2020, representing an increment of approximately 26.1%. On the other hand, the outbreak of COVID-19 and the ASF in the PRC continued to pose impact to the husbandry and feed industries during the first six months of 2020, as a result, the overall demand for corn refined products dropped as downstream consumption shrunk, which put the prices of corn starch and amino acids under pressure. As a result, most of the upstream operation of the Group has been suspended. With regard to the downstream operation of the Group, the suspension of the Group's upstream operations cut off the supply of corn starch, which is the major raw material for the downstream production. It is also not cost-effective to purchase corn starch from the market considering the current market condition. As a result, the Group suspended most of the sweeteners production facilities in the Northeast China and consolidated the Group's resources in the Shanghai production base. As at the Latest Practicable Date, the Group still suspended the production facilities except the one in Shanghai. We understand from the management of the Company that, the Group is expecting to gradually resume its production from November 2020 (i.e. the new corn harvest period in the PRC will commence), if the domestic corn price returns to a reasonable level and the economy in the PRC shows signs of recovery.

Due to the suspension of production, the Group's revenue stream has been substantially reduced during the first half of 2020. We understand from the management of the Group that if the production cannot be partially resumed in the second half of 2020, the financial condition of the Group will be challenging in the second half of 2020.

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Indebtedness position of the Group

As disclosed in the Interim Report, as at 30 June 2020, the Group had cash and bank balance of approximately HK\$86.8 million and recorded current liabilities of HK\$12,376.0 million, which mainly consists of (i) interest-bearing bank and other borrowings of approximately HK\$7,491.9 million (which are repayable within 12 months) and (ii) the trade and bills payables of approximately HK\$1,304.5 million. The temporary suspension of the production facilities helps the Group to minimise its operating cash outflow and therefore the Group's cash position has slightly increased to approximately HK\$86.8 million as at 30 June 2020 from HK\$79.5 million as at 31 December 2019. Moreover, as disclosed in the Interim Report, the Group has been in breach of several loan agreements including (i) outstanding principal of approximately RMB19.8 million together with the outstanding interest due to Jinzhou Port Branch of Bank of China; (ii) outstanding principal of approximately RMB3.7 billion, together with the outstanding interest due to Jilin Branch of Bank of China; and (iii) outstanding principal of approximately RMB219.9 million and together with the outstanding interest due to Jinzhou Branch of China Construction Bank and Jinzhou Branch of Bank of China.

In addition to the loan agreements mentioned above, several subsidiaries of the Group have jointly provided corporate guarantees to a financial institution in the PRC in respect of the financing facilities granted to 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) (“**Dajincang**”), which used to be a major supplier of the Group, starting from the year 2009 and accounted for approximately 61% of the total corn kernels purchased by the Group during the year 2009. Dajincang defaulted the repayment of such loans with aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest, as a result, the Group may be demanded to take up the full liability of RMB2.49 billion together with the outstanding interest at any time requested by the financial institution, leading to higher level of liabilities and net liabilities position with reference to the net liabilities position of the Group at approximately HK\$5,070.9 million as at 30 June 2020.

Having considered that (i) the net current liabilities and the indebtedness position of the Group; (ii) the Group incurred monthly fixed cash outflow of approximately HK\$121.8 million even the operation of a majority of production facilities has been suspended; and (iii) the outstanding principal of Convertible Bonds amounted to approximately HK\$1,086.3 million which represents around 12.5 times of the cash and bank balance of the Group as at 30 June 2020, the management of the Company concluded that the Group has insufficient cash to redeem the outstanding principal of the Convertible Bonds (approximately HK\$1,086.3 million) on the Maturity Date.

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The Bondholder indicated that it has the intention to increase its voting right in the Company through the exercise of the Conversion Rights. Due to the out-of-money situation of the Conversion Bonds, the Bondholder is not willing to convert the Convertible Bonds on or before the Maturity Date. Under such circumstance, the Company could only request to extend the Maturity Date in order to avoid triggering an event of default of the Convertible Bonds.

We also understand from the management of the Company that the Company has been planning to improve the Group's financial performance and conditions through various solutions, including but not limited to (i) the relocation of the Group's production facilities in Luyuan District, Changchun to the Xinglongshan site to facilitate the resumption of land and properties and upgrade the Group's production facilities so as to improve the operation efficiency and product mix of the Group to cope with changing market needs; (ii) the debt restructuring plan as discussed in the Interim Report. On top of the one-off compensation income of RMB337 million recognized in FY2019, we noted that the Group has recently entered into a compensation agreement with the local government, pursuant to which the Group will receive another batch of compensation of approximately RMB443.0 million for part of the remaining properties in Luyuan District, which were the parcels of land owned by Changchun Dihao Foodstuff Development Co., Ltd.* (長春帝豪食品發展有限公司), a wholly-owned subsidiary of GSH. The proceeds will be utilized for the relocation of the Group's production facilities and financing the general working capital of the Group. We further understand from the management of the Company that once the Group's financial position resumes to a healthy level, the Company will consider to introduce new public investors to maintain the minimum public float of the Shares to facilitate the Bondholder's partial or full conversion of the Convertible Bonds. At the same time, the Company will prepare to fully or partially redeem the Convertible Bonds on or before the Extended CB Maturity Date. We understand that the Group strives to resume the financial health of the Group. However the above-mentioned recovery plan will take a relatively long period of time to materialize, we consider that it is reasonable to extend the maturity date of the Convertible Bonds and allow the Group a reasonable period of time to improve its financial condition.

Other financing methods

As advised by the Company, other than the Extension, the Company considered the feasibility of other fundraising methods such as debt financing and other forms of equity financing to raise sufficient funding for full redemption of the Convertible Bonds. During FY2019 and the six months ended 30 June 2020, the Group recorded finance costs of approximately HK\$604.1 million and HK\$360.3 million, representing approximately 13.2% and 75.2% of the Group's revenue for the

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corresponding periods. For debt financing (including bank borrowings), the Directors considered that it will incur further interest expenses and leverage on the Group. Due to the poor financial performance of the Group and the currently high leverage status of the Group, it may not be feasible for the Group to obtain additional debt financing in a cost-effective manner (as compared to the 0.01% coupon interest rate of the Convertible Bonds) and would place heavier interest burden on the Group, in particular view of its loss-making performance for FY2019 and the six months ended 30 June 2020. Therefore, we concur with the Directors that the issuance of additional debt or obtaining bank borrowings is not a preferable choice.

The Directors also considered other ways of equity financing, including open offer, rights issue, issue of new shares/convertible securities to raise sufficient funding to satisfy the cash redemption of the Convertible Bonds. However, these equity financing methods would be relatively more time-consuming, administratively burdensome and cost-ineffective. Moreover, given the Group's loss-making performance, high gearing position and suspension of a majority of production facilities, it may be difficult to induce investors to invest in a high gearing and loss-making company. In addition, fundraising activities such as open offer, rights issue and issuance of new shares/convertible securities will further dilute the shareholding of the existing Shareholders. In such case, the existing Shareholders may not fully support this financing methods. Therefore, the Directors regard that the equity financing is not a feasible way to obtain new funding.

Having considered that (i) the Group recorded net losses attributable to owners of the Company from FY2018 to the six months ended 30 June 2020; (ii) the high leverage status of the Group; (iii) the Group has no sufficient cash for full redemption of outstanding Convertible Bonds on or before the Maturity Date; (iv) there are uncertainties whether the Group is able to resume the operation of the production facilities in the end of 2020; (v) equity financing and debt financing are not feasible; and (vi) the Bondholder has no intention to covert the Convertible Bonds at the current timeframe; we concur with the Directors that the Extension is the most desirable way to deal with the forthcoming maturity of the Convertible Bonds and is in the interest of the Company and the Shareholders as a whole.

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5. Principal terms of the Convertible Bonds and the Supplemental Agreement

On 25 September 2020 (after trading hours), the Company and the Bondholder entered into the Supplemental Agreement to extend the maturity date of the Convertible Bonds by 32 months from 15 October 2020 to the Extended CB Maturity Date (i.e. 15 June 2023) subject to fulfilment of the Conditions Precedent. All the terms of the Convertible Bonds shall remain unchanged and in full force save and except as revised by the Extension.

The principal terms of the Convertible Bonds and the Supplemental Agreement are summarised as below:

Parties: (a) the Company (as issuer); and
(b) Modern Agricultural Industry Investment Limited (as Bondholder).

Principal: HK\$1,086,279,565

Coupon Interest Rate: 0.01% per annum payable quarterly in arrears

Conversion Price: HK\$0.21 per Conversion Share (which is subject to adjustments)

Note: the Conversion Price (which is subject to adjustments) is HK\$0.21 per Conversion Share after the adjustment to the Conversion Price from HK\$0.23 to HK\$0.22 which took effect upon the completion of the share subscription by HK Bloom on 20 August 2019 and the adjustment to the Conversion Price from HK\$0.22 to HK\$0.21 which took effect upon the completion of the share subscription by HK Bloom on 29 April 2020;

Original Maturity Date: 15 October 2020

Extended CB Maturity Date: 15 June 2023

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Maturity and Redemption: Without prejudice to the paragraph headed “Events of default” below, the Company may, subject to prior agreement with the holder(s) of the Convertible Bonds, redeem at any time prior to the Extended CB Maturity Date all or part of the outstanding principal amount (unless previously converted, redeemed or cancelled) of the Convertible Bonds (together with accrued and unpaid interest, if any, in respect of the Convertible Bonds to be redeemed up to and including the redemption date) on a specified redemption date, by giving the holder(s) of the Convertible Bonds no less than 30 days’ notice of the date fixed for such redemption and the principal amount and interest amount to be redeemed.

The outstanding principal amount of the Convertible Bonds (unless previously converted into Shares or repaid in accordance with the conditions of the Convertible Bonds) and all outstanding interest payable in relation to the Convertible Bonds, shall be repaid by the Company to the holder(s) of the Convertible Bonds subject to and in accordance with the terms of the Convertible Bonds on the Extended CB Maturity Date at 100% of the outstanding principal amount of the Convertible Bonds. The Convertible Bonds may not be repaid or redeemed otherwise than in accordance with the conditions of the Convertible Bonds.

Nonetheless, the Bondholder has agreed under the Supplemental Agreement to waive all its rights and claims against the Company for the Company’s failure to repay the outstanding principal amount of the Convertible Bonds on or before the Maturity Date and confirms that such failure to repay by the Company do not constitute a breach by the Company of the Convertible Bonds nor an event of default under the Convertible Bonds subject to the condition that the Company shall make payment of all outstanding interest to the Bondholder as mutually agreed by 15 October 2020 and all outstanding principal amount of the Convertible Bonds shall be fully repaid by 15 January 2021. Such waiver is not subject to the fulfillment of the conditions precedent under the Supplemental Agreement and will survive the lapse of the Supplemental Agreement if any of the Conditions Precedent are not fulfilled by the Long Stop Date.

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As at the Latest Practicable Date, all outstanding interest due to the Bondholder by the Company has been fully settled by the Company.

Taking into account of (i) the net liabilities position of the Group as at 30 June 2020; (ii) the prolonged suspension of the Group's production facilities; and (iii) the high gearing status of the Group, we understand that the Group is facing difficulties to repay the outstanding principal of the Convertible Bonds of approximately HK\$1,086.3 million on or before 31 January 2021.

For further details of the terms of the Convertible Bonds and the Supplemental Agreement, please refer to the Letter from the Board.

Historical price performance of the Shares

To assess the fairness and reasonableness of the adjusted Conversion Price at HK\$0.21 per Conversion Share, we set out the following analyses in which the adjusted conversion price represents:

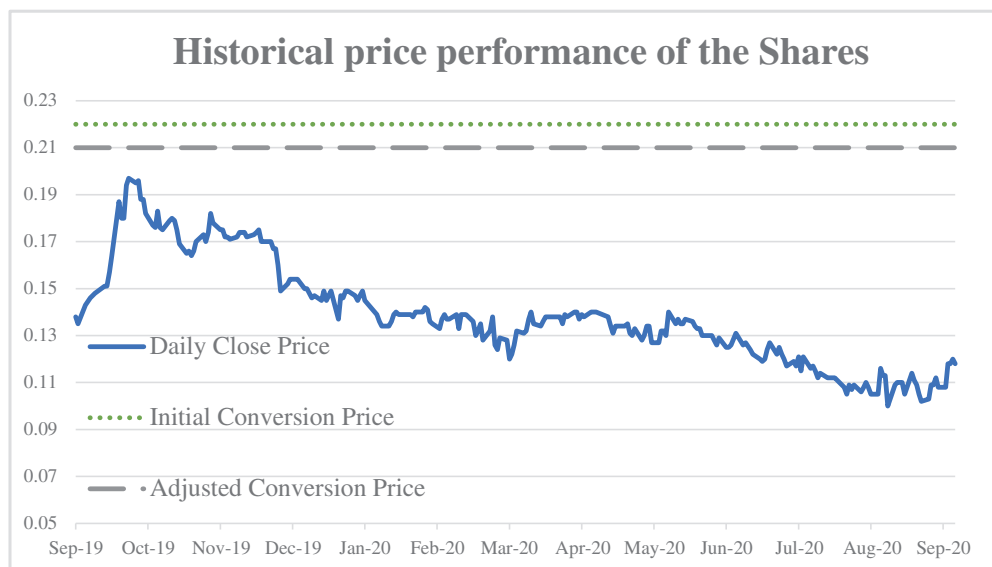
	Price per Share approximately HK\$	Premium over approximately %
(i) The closing price as quoted on the Stock Exchange on 24 September 2020, the last trading day prior to the date of the Supplemental Agreement (i.e. 25 September 2020) (the “ Announcement Date ”)	0.1200	75.00
(ii) The closing price as quoted on the Stock Exchange on the Announcement Date	0.1190	76.47
(iii) The average closing price of the Shares as quoted on the Stock Exchange for the last five consecutive trading day prior to and excluding the Announcement Date	0.1144	83.57

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	Price per Share approximately <i>HK\$</i>	Premium over approximately <i>%</i>
(iv) The average closing price of the Shares as quoted on the Stock Exchange for the last ten consecutive trading day prior to and excluding the Announcement Date	0.1107	89.70
(v) Average of the closing prices of the Shares as quoted on the Stock Exchange for the trading period of the Shares with 12 months from 24 September 2019 up to 24 September 2020 (the “ Review Period ”)	0.1390	51.06
(vi) The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	0.1820	15.38

As illustrated from the above table, the adjusted Conversion Price of HK\$0.21 per Conversion Share represents a material premium to the recent market price of the Shares. We further review the closing price level of the Shares traded on the Stock Exchange during the Review Period, which is a reasonably long period covering the annual operating cycle of the Group and different market conditions prior to the Announcement Date for analysis purpose. The comparison of the historical performance of the Share price with the adjusted Conversion Price of HK\$0.21 per Conversion Share for the period from 24 September 2019 to the Announcement Date is illustrated below.

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Source: the website of the Stock Exchange (www.hkex.com.hk)

As demonstrated in the above chart, during the Review Period, the Shares traded at a price ranging from HK\$0.1 to HK\$0.197. The average closing price per Share during the Review Period was approximately HK\$0.1390.

On the date prior to Announcement Date, the closing price per Share was HK\$0.120 as quoted on the Stock Exchange, representing a decrease of approximately 13.67% as compared with the average closing price of HK\$0.1390 during the Review Period.

In light of the above analysis on historical performance of share price, which indicates that the adjusted Conversion Price (being HK\$0.21 per Conversion Share) is far above the trading price of the Shares for the entire Review Period, representing (i) a premium of approximately 51.06% over the average closing price of their shares during the Review Period; (ii) a premium of approximately 76.47% over the closing price of the Announcement Date of HK\$0.119; we consider that the adjusted Conversion Price, which is at a substantially high premium, is advantageous to the Company.

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Price-earnings ratio (“P/E ratio”) and Price-to-book ratio (“P/B ratio”)

In further assessing the fairness and reasonableness of the adjusted Conversion Price, we have attempted to make reference to the P/E Ratio and P/B Ratio. However, due to the fact that the Company recorded loss attributable to owners of the Company of approximately HK\$1,067.8 million for FY2019, P/E ratio is not applicable for our analysis. The Group recorded audited net liabilities of approximately HK\$4,346.0 million as at 31 December 2019 and unaudited net liabilities of approximately HK\$5,070.9 million as at 30 June 2020. As discussed before, even taking into consideration of the valuation surplus in relation to the fair value of the land as at 31 December 2019, the Group is still in net liabilities position, as a result P/B ratio is not applicable for our analysis. The adjusted Conversion Price, as compared to the unaudited net liability per Share of approximately HK\$0.57 as at 30 June 2020, represents a significant premium, which are considered favorable to the Company.

Issuance of convertible bonds by other listed companies

In order to assess the fairness and reasonableness of the major terms of the Convertible Bonds under the recent market conditions, we have conducted a comparable analysis through identifying companies listed on the Stock Exchange which (i) have announced issue/placing of convertible bonds/notes; (ii) the relevant announcement was made during the three month period between 26 June 2020 and 25 September 2020; and (iii) the relevant transactions have not lapsed or cancelled before 25 September 2020. Based on the above criteria, we have, to the best of our effort by searching through published information on the Stock Exchange’s website, identified an exhaustive list of 21 transactions (the “**Comparable Transactions**”). We consider that these Comparable Transactions are able to (i) reflect the prevailing market conditions and sentiment in the Hong Kong stock market during the recent months; and (ii) allow the Shareholders to have a general understanding on the recent convertible bond transactions being conducted by the listed issuers in the Hong Kong stock market. Although the business, operation and prospect of the Company are not same as the listed issuers of the Comparable Transactions, and the terms of the Subscription Agreement was determined in 2015, we consider that these Comparable Transactions provide a general reference on the key terms for such similar type of transactions in Hong Kong and they are suitable reference for assessing the fairness and reasonableness of the key terms of the Convertible Bonds. The following table sets forth the relevant details of the Comparable Transactions.

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	Date of Announcement	Name of Company	Stock Code	Conversion price (HK\$)	Net asset/ (liabilities) attributable to owners of the company based on the latest available financial statement prior to the date of the relevant agreement (Note 1) (HK\$ million)	Duration (Note 2) (years)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement	Interest rate per annum (Note 3)
1	21 Sep 2020	Wai Chun Bio- Technology Limited (Note 7)	660	0.012	(29.9)	3.0	(7.69%)	4.0%
2	16 Sep 2020	China New Higher Education Group Limited	2001	6.313	3,137.8	1.0	10.75%	1.0%
3	14 Sep2020	Chinese Strategic Holdings Limited	8089	0.11	60.9	1.0	(22.54%)	24.0%
4	10 Sep2020	Eagle Ride Investment Holdings Limited (Note 7)	901	0.3	(110.2)	1.0	31.00%	8.0%
5	9 Sep 2020	ESR Cayman Limited	1821	32.13	23,257.9	5.0	28.26%	1.5%
6	1 Sep 2020	Capital VC Limited	2324	0.25	488.3	3.0	52.44%	1.0%
7	31 Aug 2020	Sheng Ye Capital Limited	6069	8.16	2,586.6	3.0	4.88%	6.5%
8	25 Aug 2020 (Note 4)	Asia Television Holdings Limited	707	0.15	114.9	3.0	265.85%	10.5%
9	11 Aug 2020 (Note 5)	Indigo Star Holdings Limited	8373	0.349	103.7	1.0	1.16%	0.0%
10	31 Jul 2020	E-House (China) Enterprise Holdings Limited	2048	10.37	8,899.2	3.0	(5.04%)	2.0%
11	29 July 2020	ChangYou Alliance Group Limited	1039	0.42	100.7	3.0	6.33%	3.5%
12	27 Jul 2020	Shoucheng Holdings Limited	697	1.93	9,684.3	3.0	6.63%	1.0%
13	24 July 2020	Value Convergence Holdings Limited	821	0.20	785.9	3.0	(8.26%)	0.0%

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					Net asset/ (liabilities) attributable to owners of the company based on the latest available financial statement prior to the date of the relevant agreement (Note 1) (HK\$ million)	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement	Interest rate per annum (Note 3)	
	Date of Announcement	Name of Company	Stock Code	Conversion price (HK\$)	Duration (Note 2) (years)			
14	22 Jul 2020	Green Leader Holdings Group Limited (Note 7)	61	0.22	(2,454.4)	2.0	0.00%	0.0%
15	16 Jul 2020	Styland Holdings Limited	211	0.022	499.2	3.0	0.00%	6.0%
16	15 Jul 2020	King Stone Energy Group Limited	663	0.08	441.1	1.0	14.29%	7.0%
17	30 Jun 2020 (Note 5 & 6)	Huajun International Group Limited	377	38.0	2,998.4	5.0	246.72%	0.0%
18	29 Jun 2020	China Logistics Property Holdings Co., Ltd	1589	3.19	12,333.3	5.0	(5.62%)	7.0%
19	29 Jun 2020	Vobile Group Limited	3738	2.58	273.9	2.0	0.00%	5.0%
20	29 Jun 2020	Vobile Group Limited	3738	2.8	273.9	2.0	8.53%	5.0%
21	28 Jun 2020	Polyard Petroleum International Group Limited (Note 7)	8011	0.18	4.0	1.0	29.50%	0.0%

Base Case Analysis

Maximum	5.0	265.85%	24.00%
Minimum:	1.0	(22.54%)	0.00%
Median	3.0	6.33%	3.50%
Average:	2.6	31.30%	4.43%

Company's Convertible Bond	2.6 (32 months)	75.00%	0.01%
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Source: the website of the Stock Exchange (www.hkex.com.hk)

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Note:

1. For the purpose of illustration, the figures denominated in different currencies have been converted into HK\$ at the exchange rate quoted as of 25 September 2020, as follows:

US\$1.00=HK\$7.8.
SG\$1=HK\$5.65.
RMB1=HK\$1.13.
2. For our analysis purpose, if the maturity date of the convertible bonds is subject to change due to occurrence of certain events (for example, mutual agreement by the relevant parties or default of principal/interest payment) or there is any possibility of variation of the maturity date, the initial maturity, as stated in announcement, (which assume that certain events do not happen) will be used as illustration and input of calculation.
3. For our analysis purpose, if the interest rate of the convertible bonds is subject to change due to occurrence of certain events (for example, mutual agreement by the relevant parties or default of principal/interest payment) or there is any possibility of variation of the interest rate, the initial interest rate, as stated in announcement, will be used as illustration and input of calculation.
4. Asia Television Holdings Limited announced that the placing of convertible bonds lapsed on 29 September 2020. Asia Television Holdings recorded net loss attributable to its owners for the three years ended 31 December 2019. Its convertible bonds bear an annual coupon rate of 10.5% in return of the risks associated with the investment in Asia Television Holdings Limited and the high premium of the conversion price.
5. The issuance of convertible bonds is used for settlement of consideration in relation to the acquisition and the issuance of convertible bond is inter-conditional with the acquisition.
6. With reference to the circular of Huajun International Group Limited dated 7 September 2020, its conversion price was determined after arm's length negotiation between the purchaser and the vendor, with reference to the prevailing market prices of the share prior to the publication of the relevant announcement. In order to protect the interest of Huajun International Group Limited and its shareholders as a whole, the board of Huajun International Group Limited insisted to set the conversion price at a substantially high premium instead.
7. The companies report going-concern matters in the interim report/annual report before entering into the relevant convertible bond agreements.

We have further reviewed the status of the Comparable Transactions and noted that the issuance of convertible bonds of Asia Television Holdings Limited (Comparable Transaction No. 8) lapsed on 29 September 2020. For Indigo Star Holdings Limited and Huajun International Group Limited (Comparable Transactions No. 9 and 17), their issuance of convertible bonds are solely used for settlement of consideration and is inter-conditional with the relevant acquisition while the issuance of Convertible Bonds is fundraising activity. Having considered the different purposes of issuing the convertible bonds and the lapse of Comparable Transaction No. 8, the Base Case Analysis is adjusted by excluding three comparable transactions (Comparable Transactions No. 8, 9 and 17) and the revised analysis result of 18 Comparable Transactions is summarized as below (“**Refined Analysis**”).

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	Premium/ (discount) of conversion price over/(to) the closing price of the last trading day prior to the date of the relevant agreement	Interest rate per annum
Duration (Year)		
Maximum:	5.0	52.44%
Minimum:	1.0	(22.54%)
Median:	3.0	5.61%
Average:	2.5	7.97%
Company's Convertible Bond	2.6	75.00%
	(32 months)	0.01%

(i) Duration

Under the Base Case Analysis, the duration of the Comparable Transactions ranged from one year to five years with an average duration of approximately 2.6 years. Under the Refined Analysis, the duration of the Comparable Transactions ranged from one year to five years with an average duration of approximately 2.5 years.

The extended duration of the Convertible Bonds of 2.6 years is within the range of the duration of the Comparable Transactions under the Base Case Analysis and the Refined Analysis. The Extension provides a reasonable period of time for the Group to complete its debt restructuring and improve its financial position so that the Company will have sufficient funding to make full/partial redemption of the Convertible Bonds at any time prior to the Extended CB Maturity Date.

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(ii) Conversion price

Under the Base Case Analysis, the conversion price of the Comparable Transactions are within the range of premium 265.85% to a discount of 22.54%, as compared to the share price of the last trading date prior to the relevant agreement date. The conversion price of the Comparable Transactions, as compared to the share price of the last trading date prior to the relevant agreement date, recorded an average premium of 31.30% and a median premium of 6.33%,

Under the Refined Analysis, the conversion price of the Comparable Transactions are within the range of premium of 52.44% to a discount of 22.54%, as compared to the share price of the last trading date prior to the relevant agreement date. The conversion prices of the Comparable Transactions, as compared to the share price of the last trading date prior to the relevant agreement date, recorded an average premium of 7.97% and a median premium of 5.61%,

The adjusted Conversion Price of HK\$0.21 per Conversion Share represents a premium of 75.00% to the trading price of the Share of the last trading day prior to the date of the Supplemental Agreement and such premium fall within the range of premium/discount represented by the conversion prices of the Comparable Transactions under the Base Case Analysis while fall outside the respective range under the Refined Analysis, and is far above the average premium represented by the conversion prices of the Comparable Transactions under the Base Case Analysis and the Refined Analysis. Moreover, among these 21 Comparable Transactions, we identified four Comparable Transactions (namely Comparable Transactions No. 1, 4, 14 and 21) which have going-concern issues (similar to the current situation of the Company). The conversion price of Comparable Transactions No. 4 and 21 reported a premium of approximately 31% and 29.5% over their recent share price prior to the date of the relevant agreements. The conversion prices of other two Comparable Transactions (No. 1 and 14) are issued at a slight discount of approximately 7.69% and nil, respectively, to the last trading price prior to the date of the relevant agreements. It is not unusual for listed issuer with going-concern matter to issue convertible bonds at a premium conversion price over their recent trading price of Shares.

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Moreover, assuming that the Conversion Price is further adjusted downward, the Company would need to issue a larger number of Shares upon the exercise of the Conversion Right and the potential dilution effect to the public Shareholders of the Company will be higher.

Therefore, especially considering the potential dilution effect, we are of view that maintaining the Conversion Price of HK\$0.21 per Conversion Share unchanged is favorable to the Company and the Independent Shareholders.

(iii) *Coupon interest rate per annum of the convertible notes/bonds*

The Convertible Bonds carries coupon interest rate of 0.01% per annum. Under the Base Case Analysis and the Refined Analysis, the coupon interest rates of the Comparable Transactions are in between the range of 0.00% to 24.00%. Under the Base Case Analysis, the average coupon interest rate is approximately 4.43% and the median coupon interest rate is approximately 3.50%. Under the Refined Analysis, the average coupon interest rate is approximately 4.58% and the median coupon interest rate is approximately 3.75%. The annual coupon rate of the Convertible Bonds is closed to the lowest limit of the coupon rates among the Comparable Transactions, and the coupon interests of the Convertible Bonds do not place a heavy financial burden to the Group.

Having considered that (i) the extension period of 32 months is within the range of duration of the Comparable Transactions under the Base Case Analysis and the Refined Analysis; (ii) the annual coupon rate of 0.01% allows the Group to obtain a considerable amount of fund at a relatively low finance cost; (iii) the adjusted Conversion Price of HK\$0.21 per Conversion Share represents a material premium to the trading prices of the Shares during the Review Period; (iv) the Extension allow more times for the Group to prepare sufficient cash for redemption of the Convertible Bonds; and (v) the recent financial difficulties faced by the Group, it is commercially justifiable for the Group to extend the duration of the Convertible Bond and maintain the other major terms of the Convertible Bonds unchanged, and such Extension is in the interest of the Company and the Shareholders as a whole.

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6. Financial effect of the Extension

(a) Earnings

Save for the legal and professional fees/expenses of approximately HK\$1,300,000 to be incurred in relation to the Extension and the annual coupon interests of approximately HK\$109,000, there will not be any immediate material impact on the earnings of the Group in this regard.

(b) Working capital

According to the Interim Report, the Group recorded net current liabilities of approximately HK\$11,356.4 million and has cash and bank balances of approximately HK\$86.8 million as at 30 June 2020. The Extension could allow the Group to delay the cash outflow of approximately HK\$1,086.3 million as a result of redemption of the Convertible Bonds held by the Bondholders. The quarterly payment of the coupon interests is approximately HK\$27,000 which has no material impact to the cash flow position of the Group.

Having considered that (i) the net current liabilities of the Group; (ii) the insufficient cash available to redeem the Convertible Bonds; and (iii) the suspension of a majority of production facilities, the Extension could reduce the liquidity and working capital pressure of the Group triggered by the redemption of the Convertible Bond on the Maturity Date.

(c) Net liabilities value

Upon the approval of the Extension, the Convertible Bonds will continue to be recognized as non-current liabilities of the Group. There may be changes in the fair value of the Convertible Bonds as a result of the Extension. The possible changes will be subject to the valuation from independent value and the review of the Company's auditor during the annual audit and the preparation of the consolidated financial statement of the Group for the year ending 31 December 2020.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and the financial position of the Group will be upon completion of the Extension.

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II. WHITEWASH WAIVER

Upon full conversion of the Convertible Bonds, assuming that there is no other changes in the issued share capital of the Company, the shareholding of the Bondholder (together with its concert parties) in the Company will be increased from approximately 35.2% of the existing issued share capital of the Company to approximately 55.8% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Company will be in full compliance with the minimum public float requirement under the Listing Rules. This will render the Bondholder (together with parties acting in concert with it) to be obliged to make an unconditional mandatory general offer for all the Shares not already owned or will be acquired by the Bondholder (together with its concert parties) under Rule 26.1 of the Takeovers Code unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code has been obtained from the Executive. An application has been made by the Bondholder to the Executive for the grant of the Whitewash Waiver to waive the obligations of the Bondholder to make a mandatory general offer for all the issued securities of the Company not already owned or agreed to be acquired by the Bondholder and parties acting in concert with it which would otherwise arise as a result of the issue of the Conversion Shares to the Bondholder upon the exercise of the Conversion Rights of the Convertible Bonds as soon as possible.

The Supplemental Agreement is conditional upon, among other matters, the grant of the Whitewash Waiver by the Executive and the approval of the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or is not approved at the EGM, the Supplemental Agreement will not become effective. Given that the Bondholder currently has no intention to exercise the conversion rights of the Convertible Bonds and the Group is lack of cash to redeem the Convertible Bonds, without the Extension, the Group will default in its repayment obligations of the Convertible on the Maturity Date and the financial conditions of the Group will further deteriorate.

In view of the above, we are of the opinion that for the purpose of facilitating the execution of the Supplemental Agreement, the approval of the Whitewash Waiver by the Independent Shareholders at the EGM is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM OCTAL CAPITAL

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that although entering into the Supplemental Agreement is not in the ordinary and usual course of the business of the Group, the terms of the Supplemental Agreement are on normal commercial terms. The transaction contemplated under the Supplemental Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Supplemental Agreement and the transaction contemplated thereunder, and the Whitewash Waiver.

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Louis Chan

Managing

Director

Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 25 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 18 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

The following sets out the biographical information of the Directors eligible for re-election at the EGM:

NON-EXECUTIVE DIRECTOR**Mr. Gao Dongsheng**

Mr. Gao, aged 51, obtained a bachelor's degree in structural geology and geomechanics from Peking University in 1991 and a master's degree in business administration from Jilin University in 2005.

Mr. Gao has been working in 長春市國有資本投資運營(集團)有限公司 (Changchun State-owned Capital Investment and Operation (Group) Co., Ltd.*) since August 2008, currently holding the position of assistant to general manager. Concurrently, since April 2020, Mr. Gao has also taken up the positions as the general manager and a director of Changchun Investment Fund.

As at the Latest Practicable Date, Mr. Gao does not have any interest in the shares or underlying shares in the Company within the meaning of Part XV of the SFO.

During the three years immediately before his appointment, Mr. Gao had not held any directorship in other listed public companies in Hong Kong or overseas or any other major appointments and qualifications. Save as disclosed elsewhere in this circular, Mr. Gao is not related to any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Gao has entered into an appointment letter with the Company for an initial term of two years commencing from 30 June 2020, which shall be renewable automatically for successive terms of one year unless terminated by not less than three months' written notice served by either party at any time during the then existing term. At the time of entering into the appointment letter, Mr. Gao is not entitled to any director's fee, salary or any management bonus.

Save as disclosed above, the Board is not aware of any other matters in relation to the appointment of Mr. Gao as a non-executive Director that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the Rule 13.51(2) of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTOR**Ms. Dong Hongxia**

Ms. Dong, aged 34, completed the economic management program in Huazhong University of Science and Technology in 2011. Ms. Dong has gained extensive experience in banking, investments and agricultural business. From October 2006 to October 2009, Ms. Dong was a manager in the corporate department of Shenzhen Development Bank Co., Ltd. (now known as Ping An Bank Co., Ltd.). From October 2009 to March 2013, Ms. Dong was a manager in the investment development department of Shenzhen Selen Science & Technology Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 002341), responsible for investments in agricultural sector. Ms. Dong is currently the general manager of 深圳市隆豐糧油飼料有限公司 (Shenzhen Longfeng Grain, Oil and Feed Co., Ltd.*).

As at the Latest Practicable Date, Ms. Dong does not have any interest in the shares or underlying shares in the Company within the meaning of Part XV of the SFO. During the three years immediately before her appointment, Ms. Dong had not held any directorship in other listed public companies in Hong Kong or overseas or any other major appointments and qualifications. Ms. Dong is not related to any Directors, senior management or substantial or controlling shareholders of the Company.

Ms. Dong has entered into an appointment letter with the Company for an initial term of two years commencing from 30 June 2020, which shall be renewable automatically for successive terms of one year unless terminated by not less than three months' written notice served by either party at any time during the then existing term. Under the appointment letter, Ms. Dong shall be paid an annual director's fee of RMB114,000. The director's fee is determined by the Board with reference to her duties, responsibilities, performance and results of the Group.

Save as disclosed above, the Board is not aware of any other matters in relation to the appointment of Ms. Dong as an independent non-executive Director that need to be brought to the attention of the Shareholders nor is there any information to be disclosed by the Company pursuant to any of the requirements under the Rule 13.51(2) of the Listing Rules.

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the consolidated results and financial information of the Group for the three years ended 31 December 2019, details of which were extracted from the annual reports of the Company for each of the years ended 31 December 2017, 2018, 2019 and the interim report of the Company for the six months ended 30 June 2020.

Consolidated statement of profit or loss and other comprehensive income for the three years ended 31 December 2019 and condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2020

	For the six months ended 30 June 2020 <i>HK\$'000</i> (unaudited)	For the year ended 31 December		
		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
REVENUE	479,135	4,561,391	5,657,726	4,397,005
Cost of sales	(438,231)	(4,357,862)	(5,398,016)	(3,787,974)
Gross profit	40,904	203,529	259,710	609,031
Other income and gains	31,749	684,375	321,630	198,754
Selling and distribution costs	(54,049)	(407,789)	(584,130)	(398,193)
Administrative expenses	(180,253)	(440,695)	(439,187)	(419,489)
Other expenses	(379,593)	(510,420)	(360,098)	(584,442)
Finance costs	(360,331)	(604,076)	(565,040)	(454,678)
Share of losses of a joint venture	(1,270)	(1,541)	—	—
LOSS BEFORE TAX	(902,843)	(1,076,617)	(1,367,115)	(1,049,017)
Income tax (expense) credit	—	(39,717)	67,896	158,759
LOSS FOR THE PERIOD/YEAR	(902,843)	(1,116,334)	(1,299,219)	(890,258)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD/ YEAR, NET OF TAX	45,286	212,932	195,209	227,801

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

	For the six months ended 30 June 2020 <i>HK\$'000</i> (unaudited)	For the year ended 31 December		
		2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/ YEAR	(857,557)	(903,402)	(1,104,010)	(662,457)
LOSS ATTRIBUTABLE TO:				
Owners of the Company	(848,412)	(1,067,819)	(1,222,322)	(837,491)
Non-controlling interests	(54,431)	(48,515)	(76,897)	(52,767)
	(902,843)	(1,116,334)	(1,299,219)	(890,258)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Company	(805,111)	(877,929)	(1,040,349)	(602,751)
Non-controlling interest	(52,446)	(25,473)	(63,661)	(59,706)
	(857,557)	(903,402)	(1,104,010)	(662,457)
LOSS PER SHARE				
Basic				
For loss for the period/year	HK\$(10.5) cents	HK\$(15.5) cents	HK\$(19.1) cents	HK\$(13.0) cents
Diluted				
For loss for the period/year	HK\$(10.5) cents	HK\$(15.5) cents	HK\$(19.1) cents	HK\$(13.0) cents

The auditors of the Company, Mazars CPA Limited, have issued disclaimer opinion for the financial statement of the Group for each of the years ended 31 December 2017, 2018 and 2019 respectively as extracted below.

There was no payment of dividends for each of the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020. Hence dividends per Share for each of the years ended 31 December 2017, 2018 and 2019 and for the six months ended 30 June 2020 was inapplicable.

Consolidated financial statements of the Group for the year ended 31 December 2019

In relation to the consolidated financial statements of the Group for the year ended 31 December 2019, due to the matters described below in the paragraph headed “Extracts from Independent Auditor’s Report”, the auditors of the Company have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors of the Company did not express an opinion on the consolidated financial statements for the year ended 31 December 2019.

Extracts from Independent Auditor’s Report

The following is the extract of the independent auditor’s report from Mazars CPA Limited, the external auditor of the Company, on the Group’s consolidated financial statements for the year ended 31 December 2019.

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.

Management's response and remedial measures

In relation to the management response to the auditors' disclaimer opinion and the relevant remedial measures taken and to be taken by the management of the Group, please refer to the paragraph headed "Update on Remedial Measures" in the Management Discussion and Analysis section of the 2019 annual report of the Company published on 26 March 2020.

Consolidated financial statements of the Group for the year ended 31 December 2018

In relation to the consolidated financial statements of the Group for the year ended 31 December 2018, due to the matters described below in the paragraph headed "Extracts from Independent Auditor's Report", the auditors of the Company have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors of the Company did not express an opinion on the consolidated financial statements for the year ended 31 December 2018.

Extracts from Independent Auditor's Report

The following is the extract of the independent auditor's report from Mazars CPA Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2018.

Basis for Disclaimer of Opinion

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

(i) *Financial guarantee contracts*

As mentioned in notes 2.2 and 30 to the consolidated financial statements, certain subsidiaries of the Company had jointly provided corporate guarantees to a bank in connection with banking facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2017 and 2018 (the “Financial Guarantee Contracts”). In addition, an indirect major shareholder of the Company provided confirmation in writing that it would undertake all the liabilities that might arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the “Confirmation”). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As the management of the Company had not developed and applied an appropriate accounting policy for the Confirmation and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmation at 31 December 2017 and 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017 and 2018, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2018.

(ii) *Material uncertainty related to going concern*

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2018, the Group had net current liabilities and capital deficiency of HK\$7,724 million and HK\$3,571 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK\$1,299 million for the year ended 31 December 2018. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2018. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

(iii) *Prepayments, deposits and other receivables*

Included in the Group's prepayments, deposits and other receivables at 31 December 2018 was the remaining consideration receivable from a government bureau of HK\$455 million (2017: HK\$482 million) in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land during the year ended 31 December 2014. We were unable to obtain sufficient appropriate audit evidence on the recoverability of the receivable. Therefore, we were unable to determine whether any adjustments to the receivable at 31 December 2017 and 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017 and 2018, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2018.

(iv) *Other payables and accruals*

Included in the Group's other payables and accruals at 31 December 2018 were advances from an independent third party, received through a government bureau in 2015 and 2018, in aggregate of HK\$428 million (2017: HK\$217 million), for relocation of the Group's production facilities in Changchun. We were unable to obtain direct confirmation or sufficient appropriate audit evidence by performing alternative procedures to verify the balance of the advances at 31 December 2017 and 2018. Therefore, we were unable to determine whether any adjustments to the advances at 31 December 2017 and 2018 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017 and 2018, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2018.

Management's response and remedial measures

In relation to the management response to the auditors' disclaimer opinion and the relevant remedial measures taken and to be taken by the management of the Group, please refer to the paragraph headed "Update on Remedial Measures" in the Management Discussion and Analysis section of the 2018 annual report of the Company published on 26 March 2019.

Consolidated financial statements of the Group for the year ended 31 December 2017

In relation to the consolidated financial statements of the Group for the year ended 31 December 2017, due to the matters described below in the below paragraph headed "Extracts from Independent Auditor's Report", the auditors of the Company have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditors of the Company did not express an opinion on the consolidated financial statements for the year ended 31 December 2017.

Extracts from Independent Auditor's Report

The following is the extract of the independent auditor's report from Mazars CPA Limited, the external auditor of the Company, on the Group's consolidated financial statements for the year ended 31 December 2017.

Basis for Disclaimer of Opinion

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

(i) Financial guarantee contracts

As mentioned in notes 2.2 and 31 to the consolidated financial statements, certain subsidiaries of the Company had jointly provided corporate guarantees to a bank in connection with banking facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2016 and 2017 (the “Financial Guarantee Contracts”). In addition, the then ultimate holding entity and the ultimate holding entity of a major shareholder of the Company provided confirmations in writing that they will undertake all the liabilities that may arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the “Confirmations”). The Financial Guarantee Contracts and the Confirmations were not recognised in the consolidated financial statements. As the management had not developed and applied an appropriate accounting policy for the Confirmations and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmations at 31 December 2016 and 2017 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2016 and 2017, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2017.

(ii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2017, the Group had net current liabilities and capital deficiency of HK\$5,715 million and HK\$2,467 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK\$890 million for the year ended 31 December 2017. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2017. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

(iii) *Prepayments, deposits and other receivables*

Included in the Group's prepayments, deposits and other receivables at 31 December 2017 was the remaining consideration receivable from a government bureau of HK\$482 million in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land during the year ended 31 December 2014. We were unable to obtain sufficient appropriate audit evidence on the recoverability of the receivable. Therefore, we were unable to determine whether any adjustments to the receivable at 31 December 2017 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2017.

(iv) *Other payables and accruals*

Included in the Group's other payables and accruals at 31 December 2017 was an advance from an independent third party, received through a government bureau in 2015, of HK\$217 million, for relocation of the Group's production facilities in Changchun. We were unable to obtain direct confirmation or sufficient appropriate audit evidence by performing alternative procedures to verify the balance of the advance at 31 December 2017. Therefore, we were unable to determine whether any adjustments to the advance at 31 December 2017 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2017, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2017.

Management's response and remedial measures

In relation to the management response to the auditors' disclaimer opinion and the relevant remedial measures taken and to be taken by the management of the Group, please refer to the paragraph headed "Update on Remedial Measures" in the Management Discussion and Analysis section of the 2017 annual report of the Company published on 26 March 2018.

**2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2019**

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2019 as extracted from the annual report of the Company for the year ended 31 December 2019.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
REVENUE	5	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	5	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	19	(1,541)	—
Finance costs	6	(604,076)	(565,040)
LOSS BEFORE TAX	7	(1,076,617)	(1,367,115)
Income tax (expenses) credit	10	(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	31	157,313	—
Income tax effect		(39,329)	—
	13	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)
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	12	HK(15.5) cents	HK(19.1) cents
Diluted	12	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	13	6,151,537	6,496,030
Prepaid land lease payments	14	—	575,231
Right-of-use assets	15	563,682	—
Deposits paid for acquisition of property, plant and equipment		58,502	65,175
Intangible assets	16	3,751	3,806
Interests in an associate	18	—	—
Interests in a joint venture	19	4,336	—
Equity investment at fair value through other comprehensive income ("Designated FVOCI")	20	208	—
		6,782,016	7,140,242
CURRENT ASSETS			
Inventories	21	369,496	745,493
Trade and bills receivables	22	267,870	574,267
Prepayments, deposits and other receivables	23	721,852	1,025,886
Due from a joint venture		4,270	—
Pledged bank deposits	24	9,916	203,918
Cash and bank balances	24	79,509	135,033
		1,452,913	2,684,597
CURRENT LIABILITIES			
Trade and bills payables	25	1,551,476	2,162,885
Other payables and accruals	26	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	27	5,583,337	6,127,288
Lease liabilities	28	3,700	—
Convertible bonds	29	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)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	2,044,444	1,870,716
Lease liabilities	28	2,188	—
Deferred income	30	120,294	133,759
Deferred tax liabilities	31	84,109	10,773
Convertible bonds	29	—	971,771
		2,251,035	2,987,019
NET LIABILITIES		(4,345,991)	(3,570,534)

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

Consolidated Statement of Financial Position

At 31 December 2019

	Notes	2019 HK\$'000	2018 HK\$'000
CAPITAL AND RESERVES			
Share capital	32	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)

These consolidated financial statements on page 59 to page 149 were approved and authorised for issue by the board of directors on 26 March 2020 and signed on its behalf by

Yuan Weisen
Director

Liu Shuhang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the Company									Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Convertible bond reserve HK\$'000	Other reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2019 as previously reported	639,900	2,839,469	799,638	290,585	15,677	113,944	2,036,220	(10,183,314)	(3,447,881)	(122,653)	(3,570,534)
Changes in accounting policy on adopting HKFRS16 (note 2.3)	-	-	-	-	-	-	-	(35)	(35)	-	(35)
As restated	639,900	2,839,469	799,638	290,585	15,677	113,944	2,036,220	(10,183,349)	(3,447,916)	(122,653)	(3,570,569)
Loss for the year	-	-	-	-	-	-	-	(1,067,819)	(1,067,819)	(48,515)	(1,116,334)
Other comprehensive income for the year											
– Gain on properties revaluation, net of deferred tax	-	-	98,937	-	-	-	-	-	98,937	19,047	117,984
– Exchange differences on translation of financial statements of operations outside Hong Kong	-	-	-	-	-	-	91,727	-	91,727	4,196	95,923
– Reclassification adjustment in respect of exchange reserve upon deemed disposal of a subsidiary	-	-	-	-	-	-	(774)	-	(774)	(201)	(975)
Total comprehensive income (loss) for the year	-	-	98,937	-	-	-	90,953	(1,067,819)	(877,929)	(25,473)	(903,402)
Transactions with owners:											
Issue of share capital	127,980	-	-	-	-	-	-	-	127,980	-	127,980
Total transactions with owners	127,980	-	-	-	-	-	-	-	127,980	-	127,980
Transfer	-	-	-	-	-	90	-	(90)	-	-	-
At 31 December 2019	767,880	2,839,469*	898,575*	290,585*	15,677*	114,034*	2,127,173*	(11,251,258)*	(4,197,865)	(148,126)	(4,345,991)

* These reserve accounts comprise the negative reserves of HK\$4,965,745,000 (2018: HK\$4,087,781,000) in the consolidated statement of financial position.

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Attributable to owners of the Company									Non-	
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Convertible bond reserve HK\$'000	Other reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	controlling interests HK\$'000	Total HK\$'000
At 1 January 2018	639,900	2,839,469	806,742	290,585	15,677	113,370	1,854,247	(8,967,522)	(2,407,532)	(58,992)	(2,466,524)
Loss for the year	—	—	—	—	—	—	—	(1,222,322)	(1,222,322)	(76,897)	(1,299,219)
Other comprehensive income for the year	—	—	—	—	—	—	181,973	—	181,973	13,236	195,209
Total comprehensive income (loss) for the year	—	—	—	—	—	—	181,973	(1,222,322)	(1,040,349)	(63,661)	(1,104,010)
Realised upon disposal	—	—	(7,104)	—	—	—	—	7,104	—	—	—
Transfer	—	—	—	—	—	574	—	(574)	—	—	—
At 31 December 2018	639,900	2,839,469*	799,638*	290,585*	15,677*	113,944*	2,036,220*	(10,183,314)*	(3,447,881)	(122,653)	(3,570,534)

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

SHARE PREMIUM

The share premium includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation for the public listing of the shares of Global Sweeteners Holdings Limited ("GSH" together with its subsidiaries, the "GSH Group"), a subsidiary of the Company, in a prior year and the nominal value of the shares of the Company issued in exchange therefor; (ii) the premium arising from capitalisation issues in prior years; and (iii) the premium arising from the placing and subscriptions of shares of the Company in prior years.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

**PROPERTIES REVALUATION RESERVE/CONVERTIBLE BOND RESERVE/
EXCHANGE RESERVE**

These reserves are dealt with in accordance with the respective accounting policies as set out in note 2.5 to the consolidated financial statements.

STATUTORY RESERVE FUND

Certain subsidiaries of the Company which were established in the People's Republic of China (the "PRC" or "China") are required to transfer 10% of their profits after tax calculated in accordance with the PRC accounting regulations to their respective statutory reserve funds until they reach 50% of their respective registered capital, upon which any further appropriation is at the directors' recommendation. These reserve funds may be used to reduce any losses incurred by the subsidiaries or may be capitalised as paid-up capital of the subsidiaries.

OTHER RESERVE

The other reserve includes the difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, on changes in the Group's interests in subsidiaries that do not result in the Group losing control.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,076,617)	(1,367,115)
Adjustments for:		
Finance costs	604,076	565,040
Bank interest income	(1,000)	(4,342)
Loss (Gain) on disposal of property, plant and equipment, net	755	(9,043)
Gain on disposal of prepaid land lease payments	—	(155,622)
Amortisation of intangible assets	3	9
Amortisation of deferred income	(13,857)	(10,257)
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
Impairment of intangible assets	—	1,539
Write-back of properties revaluation deficits charged to profit or loss in previous years	(54,619)	—
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
Reversal of impairment of trade and bills receivables, net	(9,701)	(7,175)
Waiver of payables	(38,981)	(28,186)
Reversal of write-back of inventories, net	(59,700)	(61,510)
Share of loss of a joint venture	1,541	—
Gain on disposal of right-of-use assets	(4,334)	—
Gain on deemed disposal of a subsidiary	(42,973)	—
Government compensation for relocation	(428,409)	—
Changes in working capital:		
Inventories	424,941	(125,350)
Trade and bills receivables	309,098	(79,250)
Prepayments, deposits and other receivables	253,047	(62,857)
Trade and bills payables	(569,308)	629,436
Other payables and accruals	398,466	119,256
Due to an associate	(1,045)	18,843
Due from a joint venture	1,640	—
Cash generated from (used in) operations	211,180	(65,368)
Interest received	1,000	4,342
Income taxes paid	(864)	(3,471)
Net cash generated from (used in) operating activities	211,316	(64,497)

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for prepaid land lease	—	(24,193)
Investment in Designated FVOCI	(208)	—
Purchases of property, plant and equipment	(51,203)	(144,541)
Deposits paid for acquisition of property, plant and equipment	(225)	—
Proceeds from disposal of prepaid land lease	—	169,529
Proceeds from disposal of property, plant and equipment	5,297	18,014
Net cash outflow on deemed disposal of a subsidiary	(6,131)	—
Net cash (used in) generated from investing activities	(52,470)	18,809
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	127,980	—
Proceeds from new interest-bearing bank and other borrowings	3,572,155	3,966,547
Repayment of interest-bearing bank and other borrowings	(3,778,983)	(3,872,603)
Repayment of lease liabilities	(3,839)	—
Interest paid	(374,230)	(412,646)
Pledged bank deposits	193,777	202,291
Net cash used in financing activities	(263,140)	(116,411)
Net decrease in cash and cash equivalents	(104,294)	(162,099)
Cash and cash equivalents at beginning of year	135,033	304,362
Effect of foreign exchange rate changes, net	48,770	(7,230)
Cash and cash equivalents at end of year (note 24)	79,509	135,033

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

1. CORPORATE INFORMATION

Global Bio-chem Technology Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) 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 ended 31 December 2019.

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, as further explained in note 2.5 to the consolidated financial statements. 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. A summary of the principal accounting policies adopted by the Group is set out in note 2.5 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.2 GOING CONCERN

The Group recorded a loss of approximately HK\$1,116 million (2018: HK\$1,299 million) for the year ended 31 December 2019 and as at that date, had net current liabilities of approximately HK\$8,877 million (31 December 2018: HK\$7,724 million) and net liabilities of approximately HK\$4,346 million (31 December 2018: HK\$3,571 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 34 to the consolidated financial statements 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 PRC 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) ("Jilin SASAC"), 吉林省地方金融監督管理局 (Jilin Province Local Financial Supervision Administration), 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.) ("Nongtou", together with its subsidiaries, the "Nongtou Group") (an entity controlled by Jilin SASAC and an indirect major shareholder of 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.2 GOING CONCERN *(Continued)***(a) Active negotiations with banks to obtain adequate bank borrowings and lower the debt ratio of the Group** *(Continued)*

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 of the Company and GSH 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 had 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 had agreed to sell to the New Creditor, and the New Creditor had agreed to purchase, all of its rights and benefits of the loans with aggregate outstanding principal amount of approximately RMB4,017 million (the "Transferred Loans") which include the loans of the Group (including the GSH Group) in the amount of approximately RMB1,527 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 RMB816 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 of directors 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脫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 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 of directors 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.2 GOING CONCERN *(Continued)***(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 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 report, 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.2 GOING CONCERN *(Continued)***(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 ended 31 December 2019, 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 34 to the consolidated financial statements. 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 ended 31 December 2019, 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 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.2 GOING CONCERN *(Continued)***(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 ended 31 December 2019. 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 report. 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 report. 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 “Leases” *(Continued)*

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 <i>HK\$'000</i>	Transfer <i>HK\$'000</i>	Contract capitalisation <i>HK\$'000</i>	1 January 2019 <i>HK\$'000</i>
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:

	<i>HK\$'000</i>
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%.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

HKFRS 16 “Leases” *(Continued)*

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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.4 NEW AND REVISED HKFRSs NOT YET ADOPTED *(Continued)*

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, and (ii) the carrying amount of any non-controlling interest and recognises (i) the fair value of the consideration received, and (ii) the fair value of any investment retained. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Subsidiaries**

A subsidiary is an entity directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

The results of subsidiaries are required by the Company's statement of profit or loss to the extent of dividends received and receivable. Investments in subsidiaries are stated at cost less impairment losses in the Company's statement of financial position which is presented within these notes. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount.

Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position initially at cost and adjusted thereafter for the post-acquisition changes in the Group's share of net assets under the equity method of accounting, less any impairment losses, except when the investment or a portion thereof is classified as held for sale. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate, the Group discontinues recognising its share of further losses when the Group's share of losses of the associate equals or exceeds the carrying amount of its interest in the associate, which includes any long term interests that, in substance, form part of the Group's net investment in the associate.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of the net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income as appropriate.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Business combinations and goodwill** *(Continued)*

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposal of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain of its property, plant and equipment at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Related parties**

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property are dealt with as movements in the properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the properties revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation less accumulated impairment of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	2.0% to 6.7%
Plant and machinery	6.7%
Leasehold improvements, furniture, equipment and motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant under construction or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Prepaid land lease payments**

Before 1 January 2019, Prepaid land lease payments are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss. From 1 January 2019, those payments are accounted for as right-of-use assets.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are tested for impairment at least annually either individually or at the cash-generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset.

Golf club membership

Golf club membership is stated at cost less impairment losses, if any. The carrying amount of individual golf club membership is reviewed at the end of each reporting period to assess whether the recoverable amount has declined below the carrying amount. When a decline has occurred, the carrying amount of such golf club membership is reduced to its recoverable amount. The amount of the reduction is recognised as an expense in profit or loss.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Intangible assets** *(Continued)***Trademarks**

The initial cost of acquiring trademarks is capitalised. Trademarks with indefinite useful lives are carried at cost less accumulated impairment losses. Trademarks with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives.

Leases — Applicable from 1 January 2019

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises;

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Group; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases – Applicable from 1 January 2019 *(Continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Land	11-52 years
Office premises	3 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Leases — Applicable from 1 January 2019** *(Continued)*

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.
- (b) the Group determines the lease term of the modified contract.
- (c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.
- (d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.
- (e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Leases — Applicable before 1 January 2019**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Financial instruments***Financial assets****Recognition and derecognition*

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("FVOCI"); (iii) Designated FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)***Financial assets** *(Continued)**Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

The Group's financial assets measured at FVOCI include the Group's equity interests in an equity investment which is not held for trading.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)***Financial liabilities***Recognition and derecognition*

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are direct attributable to the issue of the financial liabilities.

The Group's financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated).

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15 and (ii) the amount of the loss allowance determined in accordance with the expected credit losses ("ECL") model under HKFRS 9, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Before the adoption of HKFRS 9, the financial guarantee is subsequently measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with HKAS 18, and (ii) the amount of the provision determined in accordance with HKAS 37, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)****Impairment of financial assets and other items***

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral, if any
- (iv) industry of debtors
- (v) geographical location of debtors

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)****Impairment of financial assets and other items*** *(Continued)**Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or
- (ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For financial guarantee contracts, the date that the Group becomes a party to the financial guarantee contracts is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment and the Group considers the changes in the risk that the specified debtor will default on the financial guarantee contracts.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)****Impairment of financial assets and other items*** *(Continued)**Low credit risk*

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables and contract assets without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Financial instruments** *(Continued)****Impairment of financial assets and other items*** *(Continued)****Write-off***

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Convertible bond

On the issue of the convertible bond, the fair value of the liability component is determined using a market rate for a similar bond that does not have a conversion option; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in the convertible bond reserve within shareholders' equity, net of issue costs. The value of the conversion option carried in equity is not changed in subsequent years. When the conversion option is exercised, the balance of the convertible bond equity reserve is transferred to share capital or other appropriate reserve. When the conversion option remains unexercised at the expiry date, the balance remained in the convertible bond reserve is transferred to accumulated profits or losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Issue costs are apportioned between the liability and equity components of the convertible bond based on the allocation of proceeds to the liability and equity components when the instruments are first recognised. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of proceeds.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Income tax** *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income or a reduction of the related expenses item, as appropriate, on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Revenue recognition*****Revenue from contracts with customers within HKFRS 15****Nature of goods or services*

The Group engages in the manufacture and sale of corn refined products and corn based biochemical products.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- (b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Revenue recognition** *(Continued)***Revenue from contracts with customers within HKFRS 15** *(Continued)**Timing of revenue recognition (Continued)*

- (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of corn refined products and corn based biochemical products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost or Mandatory FVOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Contract assets and contract liabilities**

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

In accordance with the standard payment terms of the Group, payments are normally not due or received from the customer until when the goods are delivered, although the Group may request from the customer the whole or some of the contractual payments before the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue.

Contract costs

Contract costs are either incremental costs of obtaining or costs (other than those that are accounted for as inventories, property, plant and equipment, or intangible assets) to fulfil contracts with customers. Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses.

The costs to obtain contracts are capitalised if they are incremental and recoverable, except to the extent that the practical expedient in paragraph 94 of HKFRS 15 is applied. The capitalised costs are amortised on a straight-line basis over the term of the specific existing and anticipated contracts to which the costs relate. The Group applies the practical expedient in HKFRS 15 and recognises the incremental costs as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Contract costs** *(Continued)*

The costs to fulfil contracts are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, generate or enhance resources that will be used to provide goods or services in the future, and are expected to be recovered. Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred. The costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services under the specific existing and anticipated contracts to which the costs relate.

An impairment loss is recognised in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses. A reversal of impairment loss is recognised in profit or loss when the impairment conditions no longer exist or have improved provided the increased carrying amount of the asset shall not exceed the amount that would have been determined if no impairment loss had been recognised previously.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. The capitalisation rate is based on the actual cost of the related borrowings. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Employee benefits**Short term employee benefits**

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Employee benefits** *(Continued)***Retirement benefits**

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in the retirement benefit schemes (the “PRC RB Schemes”) operated by the respective local municipal governments in provinces of China where the group entities operate. These subsidiaries are required to contribute a certain percentage of their payroll costs to the PRC RB Schemes to fund the benefits. The only obligation of the Group with respect to the PRC RB Schemes is to pay the ongoing required contributions under the PRC RB Schemes. Contributions under the PRC RB Schemes are charged to profit or loss as they become payable in accordance with the rules of the PRC RB Schemes.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollars. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Foreign currencies** *(Continued)*

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Deferred tax liability for withholding taxes

The Group determines that no dividends are to be distributed by the PRC subsidiaries to the Company or any subsidiary outside the PRC in the foreseeable future. Therefore, no deferred tax liability for withholding taxes has been recognised in these consolidated financial statements. Please refer to note 31 to the consolidated financial statements for more details of the unrecognised deferred tax liability for withholding taxes.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)***Estimation uncertainty** *(Continued)****Loss allowance for ECL***

The Group's management estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumptions and inputs used in estimating ECL are set out in note 37 to the consolidated financial statements.

Fair value of property, plant and equipment

The Group estimates the fair value of its leasehold buildings with reference to valuations performed by an independent professional valuer. The valuation of leasehold buildings is performed using the direct comparison approach or the depreciated replacement cost (the "DRC") approach. The direct comparison approach requires adjustments to transaction price of similar properties regarding differences in key valuation attributes such as size, age and location etc. between the properties under appraisal and the comparable. The DRC approach requires an estimation of the new replacement cost of the assets from which deductions are then made to allow for physical deterioration and all forms of obsolescence and optimisation.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of property, plant and equipment, the Group considers various factors such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with a similar asset that is used in a similar way. Additional depreciation is required if the estimated useful lives and/or the residual values of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)***Estimation uncertainty** *(Continued)****Impairment of property, plant and equipment, right-of-use assets and prepaid land lease payments***

Determining an appropriate amount of an impairment requires an estimation of recoverable amounts of relevant property, plant and equipment, right-of-use assets, prepaid land lease payments or the respective cash-generating units ("CGU") to which the property, plant and equipment, right-of-use assets, and prepaid land lease payments belong, which is the higher of value in use and fair value less cost of disposal. If there is any indication that an asset may be impaired, the recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the relevant assets or the CGU and a suitable discount rate in order to calculate the present value. The discount rate represents rate that reflects current market assessments of time value of money and the risks specific to the asset or the CGU for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, an additional impairment loss may arise.

Write-down of inventories

The Group reviews ageing analysis and condition of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving items that are no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Income taxes

At 31 December 2019, a deferred tax asset of approximately HK\$316 million (2018: HK\$252 million) in relation to deductible temporary difference and tax losses was recognised in the consolidated statement of financial position to the extent of the recognised taxable temporary difference. No deferred tax asset has been recognised on the remaining tax losses of HK\$6,476 million (2018: HK\$5,267 million) and the remaining deductible temporary difference of HK\$2,820 million (2018: HK\$3,624 million) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits or taxable temporary differences are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

4. 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.

APPENDIX II FINANCIAL INFORMATION OF THE GROUP

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

(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)

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

4. OPERATING SEGMENT INFORMATION (Continued)

(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 that was not attributable to any of the above segments which amounted to HK\$3,664,000 was included in unallocated expenses.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other segment information *(Continued)*

Year ended 31 December 2018

	Upstream products <i>HK\$'000</i>	Amino acids <i>HK\$'000</i>	Corn sweeteners <i>HK\$'000</i>	Polyol chemicals <i>HK\$'000</i>	Total <i>HK\$'000</i>
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) Gains on disposal of prepaid land lease payments and property, plant and equipment that were not attributable to any of the above segments which amounted to HK\$155,622,000 and HK\$7,793,000 respectively were included in unallocated income.

(c) Geographical information

Revenue information based on locations of customers

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Geographical information *(Continued)*

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 accounted for to 10% or more of the Group's revenue for the Year (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

	2019 HK\$'000	2018 HK\$'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods	4,561,391	5,657,726

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 ended 31 December 2019 that was included in the contract liabilities at the beginning of the year was HK\$177,179,000 (2018: HK\$224,929,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	Notes	2019 HK\$'000	2018 HK\$'000
Other income and gains			
Bank interest income		1,000	4,342
Government grants (a)		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	33	42,973	—
Waiver of payables		38,981	28,186
Government compensation for relocation	26(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

Remark:

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

6. FINANCE COSTS

	2019 HK\$'000	2018 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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

7. LOSS BEFORE TAX

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

	Note	2019 HK\$'000	2018 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	26(a)	(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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	2019			
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Mr. Yuan Weisen	—	—	—	—
Mr. Zhang Zihua	—	—	—	—
Mr. Liu Shuhang	863	—	228	1,091
Non-executive director				
Ms. Liang Wanpeng	—	—	—	—
	863	—	228	1,091
Independent non-executive directors				
Mr. Ng Kwok Pong	240	—	—	240
Mr. Yeung Kit Lam	240	—	—	240
Mr. Zhao Jin	136	—	—	136
	616	—	—	616

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

	2018			
	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total HK\$'000
Executive directors				
Mr. Yuan Weisen	—	—	—	—
Mr. Zhang Zihua	—	—	—	—
Mr. Liu Shuhang (appointed on 26 January 2018)	747	—	229	976
Non-executive director				
Ms. Liang Wanpeng (appointed on 21 December 2018)	—	—	—	—
	747	—	229	976
Independent non-executive directors				
Mr. Ng Kwok Pong	480	—	—	480
Mr. Yeung Kit Lam	480	—	—	480
Ms. Chiu Lai Ling, Shirley (resigned on 1 October 2018)	360	—	—	360
Mr. Zhao Jin (appointed on 21 December 2018)	—	—	—	—
	1,320	—	—	1,320
Chief executive				
Mr. Kong Zhanpeng (a)	—	3,000	15	3,015

Remark:

- (a) Mr. Kong resigned as chief executive officer of the Company on 1 October 2018 and appointed as chief economist on 21 December 2018 and he is not entitled to any remuneration since 21 December 2018. The employment contract of chief economist expired on 20 December 2019.

No emolument was paid or payable by the Group to any of the directors or chief executive as inducement to join or upon joining the Group or as compensation for loss of office. Except that Mr. Kong Zhanpeng waived emoluments of HK\$600,000 during the year ended 31 December 2018, none of the directors or the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

9. FIVE HIGHEST PAID EMPLOYEES

One (2018: One) of the five highest paid employees during the year ended 31 December 2019 is a director or a chief executive of the Company, details of his remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2018: four) highest paid employees who are neither a director nor a chief executive of the Company are as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	3,434	4,664
Pension scheme contributions	69	60
	3,503	4,724

The highest paid employees fell within the following bands:

	2019 <i>Number of individuals</i>	2018 <i>Number of individuals</i>
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	—	1
	4	4

No emolument was paid or payable by the Group to any of the highest paid non-director employees as inducement to join or upon joining the Group or as compensation for loss of office. The highest paid non-director employees did not waive any emoluments during the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

10. 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 ended 31 December 2019 (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 HK\$'000	2018 HK\$'000
Current tax		
The PRC enterprise income tax	478	2,337
Overseas taxes (a)	—	(70,883)
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.

Reconciliation of income tax expenses (credit)

	2019 HK\$'000	2018 HK\$'000
Loss before tax	(1,076,617)	(1,367,115)
Income tax at applicable tax rate	(229,822)	(317,180)
Non-deductible expenses	32,205	29,587
Tax-exempt income	(54,748)	(28,504)
Unrecognised temporary difference	8,352	(11,220)
Unrecognised tax losses	303,936	343,741
Utilisation of previously unrecognised tax losses	—	(14,516)
Recognition of previously unrecognised deferred taxes and reversal of deferred taxes	(20,206)	1,079
Over provision in prior years	—	(70,883)
Income tax expenses (credit)	39,717	(67,896)

The applicable tax rate is the weighted average of the tax rates prevailing in the locations in which the Group entities operate.

11. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year ended 31 December 2019 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 ended 31 December 2019 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.

13. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount — Year ended 31 December 2019	Leasehold buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvement, furniture, equipment and motor vehicles HK\$'000	Construction in-progress HK\$'000	Total HK\$'000
At 1 January 2019	4,959,629	1,129,058	14,242	393,101	6,496,030
Additions	528	23,372	5,596	26,961	56,457
Transfer	443	4,486	275	(5,204)	—
Disposals	(123)	(4,948)	(961)	(20)	(6,052)
Deemed disposal of a subsidiary	(4,892)	(9,309)	—	—	(14,201)
Gain on properties revaluation, net	211,932	—	—	—	211,932
Depreciation	(264,732)	(210,634)	(3,977)	—	(479,343)
Exchange realignment	(86,212)	(17,923)	(338)	(8,813)	(113,286)
At 31 December 2019	4,816,573	914,102	14,837	406,025	6,151,537

Reconciliation of carrying amount — Year ended 31 December 2018

At 1 January 2018	5,450,597	1,270,179	11,982	455,560	7,188,318
Additions	4,520	62,459	7,648	69,914	144,541
Transfer	36,388	70,265	23	(106,676)	—
Disposals	(8,565)	(53)	(353)	—	(8,971)
Depreciation	(259,368)	(216,574)	(4,407)	—	(480,349)
Exchange realignment	(263,943)	(57,218)	(651)	(25,697)	(347,509)
At 31 December 2018	4,959,629	1,129,058	14,242	393,101	6,496,030

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvement, furniture, equipment and motor vehicles HK\$'000	Construction in-progress HK\$'000	Total HK\$'000
At 31 December 2019					
At cost	—	9,330,021	176,670	568,157	10,074,848
At valuation	4,816,573	—	—	—	4,816,573
Accumulated depreciation and impairment losses	—	(8,415,919)	(161,833)	(162,132)	(8,739,884)
	4,816,573	914,102	14,837	406,025	6,151,537
At 31 December 2018					
At cost	—	9,525,490	179,156	558,918	10,263,564
At valuation	5,218,169	—	—	—	5,218,169
Accumulated depreciation and impairment losses	(258,540)	(8,396,432)	(164,914)	(165,817)	(8,985,703)
	4,959,629	1,129,058	14,242	393,101	6,496,030

Leasehold buildings

At 31 December 2019, the Group has not obtained building certificates for certain leasehold buildings with a total carrying amount of HK\$1,933,066,000 (2018: HK\$1,575,660,000).

Had the Group's leasehold buildings been carried under the cost model, their carrying amount at 31 December 2019 would have been approximately HK\$3,996,619,000 (2018: HK\$4,231,352,000).

The Group's leasehold buildings were revalued individually at 31 December 2019 by Roma Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value of HK\$4,816,573,000 based on their existing use. A gain on properties revaluation of HK\$117,984,000 (after income tax effect) was recognised in other comprehensive income and credited to properties revaluation reserve and a gain on properties revaluation of approximately HK\$54,619,000 was recognised in profit or loss during the year ended 31 December 2019.

The directors were of the opinion that there were no material differences between the carrying amount and fair value of the leasehold buildings at 31 December 2018. Therefore, no revaluation was performed as at that date.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Leasehold buildings *(Continued)*

Valuation processes

The Group reviews the estimation of fair value of the leasehold buildings at the end of each reporting period. Valuation of leasehold buildings is normally performed by an independent professional valuer on a bi-annual basis, unless the directors are of the opinion that there is a significant change in fair value or a more frequent valuation is necessary. Discussion of the valuation process and results with the Audit Committee is held twice a year, to coincide with the reporting dates.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's leasehold buildings stated at revalued amounts:

	Fair value measurement at 31 December 2019 using			Total HK\$'000
	Quoted prices in active market (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for:				
Industrial properties — The PRC	—	—	4,793,462	4,793,462
Residential properties — The PRC	—	1,222	21,889	23,111
	—	1,222	4,815,351	4,816,573

During the years ended 31 December 2019 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Leasehold buildings *(Continued)*

Fair value hierarchy *(Continued)*

Certain residential properties in the PRC were valued using the direct comparison approach at 31 December 2019 and were categorised as Level 2 fair value measurements. The other properties in the PRC were valued using the DRC approach and were categorised as Level 3 fair value measurements. The movements in Level 3 fair value measurements during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
At 1 January	4,958,696	5,441,609
Additions and transfer from construction in progress	971	40,908
Gain on properties revaluation, net	211,659	-
Depreciation	(264,666)	(259,294)
Disposals	(123)	(640)
Deemed disposal of a subsidiary	(4,892)	-
Exchange realignment	(86,294)	(263,887)
At 31 December	4,815,351	4,958,696

The gain on properties revaluation for the year represents the total gain included in other comprehensive income and profit or loss for leasehold buildings held at the end of the reporting period.

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings that are categorised as Level 3 fair value measurements:

Valuation technique	Significant unobservable inputs	Industrial properties	Residential properties
DRC approach	Construction cost (Renminbi/square meter)	RMB650 - RMB3,900	RMB690 - RMB2,200

A significant positive adjustment to any of the above significant unobservable inputs would result in a significant increase in fair value of the leasehold buildings, and vice versa.

The Group has determined that the highest and best use of the buildings at the measurement date would be their existing use.

Notes to the Consolidated Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Impairment assessment

The business performance of a subsidiary, which manufactures lysine products in Changchun, has been severely affected by the African Swine Fever, which indicates that the property, plant and equipment and right-of-use assets of that subsidiary may have impaired. The directors have therefore performed an impairment assessment on the CGU related to the manufacturing and sale of lysine products at 31 December 2019 based on a valuation performed by Roma Appraisals Limited, an independent professionally qualified valuer.

The estimates of the recoverable amount, which amounted to HK\$387,897,000, were based on the CGU's value in use, using a discount rate of 19.81%. As a result of the impairment assessment, no impairment loss was recognised in profit or loss during the year ended 31 December 2019.

14. PREPAID LAND LEASE PAYMENTS

	2019 HK\$'000	2018 HK\$'000
At 1 January as previously reported (including current portion)	595,118	640,752
Changes in accounting policies on adopting HKFRS 16 — Transfer to right-of-use assets (note 2.3)	(595,118)	—
As restated	—	640,752
Additions	—	24,193
Amortisation	—	(22,597)
Disposal	—	(13,907)
Exchange realignment	—	(33,323)
At 31 December	—	595,118
Current portion included in prepayments, deposits and other receivables	—	(19,887)
Non-current portion	—	575,231

At 31 December 2018, prepaid land lease payments represent cost paid for leasehold land in the PRC that were classified as an operating lease. The cost was amortised over the leasehold period and the leasehold land was granted with remaining lease terms ranging from 12 to 53 years. Upon the adoption of HKFRS 16, the prepaid land lease payments are presented under right-of-use assets.

Notes to the Consolidated Financial Statements

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15. RIGHT-OF-USE ASSETS

	Land HK\$'000	Office premises HK\$'000	Total HK\$'000
Reconciliation of carrying amount – Year ended 31 December 2019			
At 1 January 2019 – Upon adoption of HKFRS 16 (note 2.3)	595,118	9,467	604,585
Deemed disposal of a subsidiary	(3,584)	–	(3,584)
Depreciation	(21,941)	(3,664)	(25,605)
Exchange realignment	(11,714)	–	(11,714)
At 31 December 2019	557,879	5,803	563,682
At 31 December 2019			
Cost	849,156	10,993	860,149
Accumulated depreciation and impairment losses	(291,277)	(5,190)	(296,467)
	557,879	5,803	563,682

The leasehold land is granted with remaining lease terms ranging from 11 to 52 years and is situated in the PRC.

The Group leases an office premise for its daily operations. The lease term is 3 years, with no option for both lessor and lessee to terminate or renew the lease after expiration of the lease term.

Restrictions or covenants:

For lease of office premise, the lease imposes a restriction that, unless approval is obtained from the lessor, the premise can only be used by the Group and the Group is prohibited from selling or pledging the underlying premises. In addition, the Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

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16. INTANGIBLE ASSETS

	Golf club membership HK\$'000	Trademarks HK\$'000	Total HK\$'000
Reconciliation of carrying amount – Year ended 31 December 2019			
At 1 January 2019	3,745	61	3,806
Amortisation	—	(3)	(3)
Deemed disposal of a subsidiary	—	(52)	(52)
Exchange realignment	6	(6)	—
At 31 December 2019	3,751	—	3,751
Reconciliation of carrying amount – Year ended 31 December 2018			
At 1 January 2018	5,284	74	5,358
Amortisation	—	(9)	(9)
Impairment losses	(1,539)	—	(1,539)
Exchange realignment	—	(4)	(4)
At 31 December 2018	3,745	61	3,806
At 31 December 2019			
Cost	5,290	—	5,290
Accumulated amortisation and impairment losses	(1,539)	—	(1,539)
	3,751	—	3,751
At 31 December 2018			
Cost	5,284	146	5,430
Accumulated amortisation and impairment losses	(1,539)	(85)	(1,624)
	3,745	61	3,806

Notes to the Consolidated Financial Statements

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17. SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal place of business and place of incorporation/ registration	Particulars of registered/paid-up capital	Proportion of ownership interests held by the Group	Principal activities
GSH	Cayman Islands	HK\$152,758,600	64	Investment holding
Changchun Dihao Foodstuff Development Co., Ltd. [#]	The PRC	Registered capital: RMB325,100,000/ Paid-up capital: RMB284,791,163	64	Manufacture and sale of corn sweeteners
Jinzhou Yuancheng Bio-chem Technology Co., Ltd. [#]	The PRC	US\$62,504,000	64	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd. [#]	The PRC	US\$7,770,000	64	Manufacture and sale of corn sweeteners
Shanghai Hao Cheng Food Development Co., Ltd. [#]	The PRC	US\$9,668,000	64	Manufacture and sale of corn sweeteners
Harbin Dacheng Bio-Technology Co., Ltd. [#]	The PRC	RMB303,000,000	100	Manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products
Changchun Dacheng Industrial Group Co., Ltd. [#]	The PRC	RMB193,000,000	100	Investment holding
Changchun Baocheng Bio-chem Development Co., Ltd. [#]	The PRC	US\$49,227,952	100	Manufacture and sale of corn based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd. [#]	The PRC	Registered capital: US\$168,450,000/ Paid-up capital: US\$140,409,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Bio-Tech Development Co., Ltd. [#]	The PRC	RMB2,066,150,000	100	Manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products
Changchun Dacheng Industrial Group Huicheng International Trade Co., Ltd. [#]	The PRC	RMB20,000,000	100	Sale of corn based biochemical products

[#] Wholly foreign-owned enterprise

The above subsidiaries are indirectly held by the Company. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the financial performance of the Group for the year ended 31 December 2019 or formed a substantial portion of the net liabilities/assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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17. SUBSIDIARIES (Continued)

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

	GSH Group	
	2019 HK\$'000	2018 HK\$'000
Percentage of equity interest held by NCI	36%	36%
Revenue, other income and gains	1,975,191	1,981,378
Costs and expenses	(2,155,165)	(2,186,864)
Income tax credit (expenses)	17,404	(3,010)
Loss for the year	(162,570)	(208,496)
Other comprehensive income	64,565	18,250
Total comprehensive loss for the year	(98,005)	(190,246)
Loss for the year attributable to NCI	(58,525)	(75,059)
Total comprehensive loss for the year attributable to NCI	(35,282)	(68,489)
Dividends paid to NCI	—	—
Current assets	459,571	635,800
Non-current assets	939,403	936,467
Current liabilities	(1,570,867)	(1,659,818)
Non-current liabilities	(239,518)	(225,668)
Net liabilities	(411,411)	(313,219)
Carrying amount of NCI	(148,108)	(112,759)
Net cash flows from (used in):		
Operating activities	21,574	45,183
Investing activities	(18,549)	(28,414)
Financing activities	8,165	(162,692)

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18. INTERESTS IN AN ASSOCIATE

Interests in the associate represents 40% (2018: 40%) of the registered and paid-in capital of Changchun Dacheng Hexin Technology Development Co., Ltd. ("Dacheng Hexin"), a company incorporated in the PRC. It is principally engaged in the manufacture and sale of botanical straw based sweetener products in the PRC.

The Group has discontinued the recognition of its share of losses of Dacheng Hexin when applying the equity method because the share of losses of Dacheng Hexin exceeded the Group's interests in Dacheng Hexin and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of Dacheng Hexin for the year ended 31 December 2019 and share of losses cumulatively were HK\$980,000 (2018: profit HK\$214,000) and HK\$7,457,000 (2018: HK\$6,477,000) respectively.

The following table illustrates the summarised financial information of Dacheng Hexin extracted from its unaudited management accounts:

	2019 HK\$'000	2018 HK\$'000
<i>Gross amounts:</i>		
Current assets	8,743	10,280
Non-current assets	53,876	55,100
Current liabilities	(81,408)	(82,146)
Net liabilities	(18,789)	(16,766)
	2019 HK\$'000	2018 HK\$'000
<i>Gross amounts:</i>		
Revenue	—	—
(Loss) profit and total comprehensive (loss) income	(2,451)	534

19. INTERESTS IN A JOINT VENTURE

	2019 HK\$'000
Goodwill	12,115
Share of net liabilities	(5,656)
Unrealised portion of the gain on disposal of a parcel of land	(2,123)
	4,336

Interests in the joint venture represents 43.5% of the registered and paid-in capital of Changchun Wanxiang Corn Oil Co., Ltd. ("Wanxiang"), a company incorporated in the PRC. It is principally engaged in the manufacture and sale of corn oil products in the PRC.

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19. INTERESTS IN A JOINT VENTURE (Continued)

The following table illustrates the summarised financial information of Wanxiang extracted from its unaudited management accounts:

	2019 HK\$'000
<i>Gross amounts:</i>	
Current assets	6,478
Non-current assets	33,014
Current liabilities	(52,494)
Net liabilities	(13,002)
<i>Included in above:</i>	
Cash and cash equivalents	102
Financial liabilities (excluding trade and other payables and provisions)	(53,810)
<i>Reconciliation:</i>	
Gross amount of net liabilities	(13,002)
Group's ownership interests	43.5%
Group's share of net liabilities	(5,656)
Goodwill	12,115
Unrealised portion of the gain on disposal of a parcel of land	(2,123)
Carrying amount of interests	4,336
	2019 HK\$'000
<i>Gross amounts:</i>	
Revenue	1,392
Loss and total comprehensive loss	(3,542)
<i>Included in above:</i>	
Depreciation and amortisation	(2,725)
Interest income	4
Interest expense	(1,254)
Group's share of loss of a joint venture	(1,541)

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20. DESIGNATED FVOCI

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Unlisted equity securities, at fair value	208	—

The balance represents the Group's equity interests in Changchun Dacheng Trading Company Limited, a company incorporated in the PRC with limited liabilities. The Group has designated the unlisted equity securities as Designated FVOCI because these equity securities represent investments that the Group intends to hold for long term for strategic purposes. The Group considers the accounting treatments under this classification provide more relevant information for those investments.

No Designated FVOCI has been disposed of during the year ended 31 December 2019. There was no transfers of any cumulative gain or loss arising from Designated FVOCI during the year ended 31 December 2019.

21. INVENTORIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Raw materials	210,092	467,968
Finished goods	159,404	277,525
	369,496	745,493

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22. TRADE AND BILLS RECEIVABLES

	2019 HK\$'000	2018 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 HK\$'000	2018 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

Information about the Group's exposure to credit risks and loss allowance for trade and bills receivables is included in note 37 to the consolidated financial statements.

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 as the total trade and bills receivables due from the Group's largest customer and the five largest customers accounted for 11% (2018: 13%) and 33% (2018: 30%), of the Group's trade and bills receivables respectively.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 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.

24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents

	2019 HK\$'000	2018 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.

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24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(Continued)

(a) Cash and cash equivalents *(Continued)*

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.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest-bearing bank and other borrowings HK\$'000	Convertible bonds HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
Year ended 31 December 2019				
At 1 January 2019 – Upon adoption of HKFRS 16 (note 2.3)	7,998,004	971,771	9,502	8,979,277
Changes from financing cash flows:				
Proceeds from new interest-bearing bank and other borrowings	3,572,155	—	—	3,572,155
Repayment of interest-bearing bank and other borrowings	(3,778,983)	—	—	(3,778,983)
Repayment of lease liabilities	—	—	(3,839)	(3,839)
Interest paid	(374,230)	—	—	(374,230)
Total changes from financing cash flows	(581,058)	—	(3,839)	(584,897)
Exchange realignment	(163,395)	—	—	(163,395)
Other changes:				
Interest expenses	374,230	62,475	225	436,930
At 31 December 2019	7,627,781	1,034,246	5,888	8,667,915

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Notes to the Consolidated Financial Statements

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24. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

	Interest-bearing bank and other borrowings HK\$'000	Convertible bonds HK\$'000	Total HK\$'000
Year ended 31 December 2018			
At 1 January 2018	8,417,569	913,070	9,330,639
Changes from financing cash flows:			
Proceeds from new interest-bearing bank and other borrowings	3,966,547	—	3,966,547
Repayment of interest-bearing bank and other borrowings	(3,872,603)	—	(3,872,603)
Interest paid	(412,646)	—	(412,646)
Total changes from financing cash flows	(318,702)	—	(318,702)
Exchange realignment	(513,509)	—	(513,509)
Other changes:			
Interest expenses	412,646	58,701	471,347
At 31 December 2018	7,998,004	971,771	8,969,775

25. TRADE AND BILLS PAYABLES

	2019 HK\$'000	2018 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

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

Notes to the Consolidated Financial Statements

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25. TRADE AND BILLS PAYABLES (Continued)

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.

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 HK\$'000	2018 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

26. OTHER PAYABLES AND ACCRUALS

	2019 HK\$'000	2018 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.

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Year ended 31 December 2019

26. OTHER PAYABLES AND ACCRUALS *(Continued)*

- (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 HK\$'000	2018 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) which are 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 a state-owned supplier amounted to approximately HK\$25,470,000 (2018: HK\$13,473,000) which are unsecured, interest-bearing at 8.0% to 12.0% per annum (2018: 8.0% to 12.0% per annum) after the lapse of the credit periods and are repayable on demand.

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate %	2019 Maturity	2019 HK\$'000	Effective interest rate %	2018 Maturity	2018 HK\$'000
Current						
Short term bank borrowings		On demand/				
– secured	3.9%-8.0%	2020	3,018,445	3.9%-8.0%	2019	2,367,500
Short term bank borrowings						
– unsecured	4.3%-10.0%	2020	836,556	3.9%-6.5%	2019	3,682,514
Other borrowings						
– secured	3.92%	On demand	1,651,667	—	—	—
Other borrowings						
– unsecured (a)	12.0%-13.6%	On demand	76,669	10.0%-13.6%	On demand	77,274
			5,583,337			6,127,288
Non-current						
Bank borrowings						
– secured	4.3%	2021	644,444	7.0%	2020	182,956
Bank borrowings						
– unsecured	4.3%	2021	1,400,000	4.4%	2020	1,686,362
Other borrowings						
– secured			—	1.1%	2021	1,398
			2,044,444			1,870,716
			7,627,781			7,998,004
Analysed into:			2019 HK\$'000			2018 HK\$'000
Bank borrowings repayable:						
Within one year or on demand			3,855,001			6,050,014
In the second year			2,044,444			1,869,318
			5,899,445			7,919,332
Other borrowings repayable:						
Within one year or on demand			1,728,336			77,274
In the third to fifth years			—			1,398
			1,728,336			78,672
			7,627,781			7,998,004
Secured			5,314,556			2,551,854
Unsecured			2,313,225			5,446,150
			7,627,781			7,998,004

Remark:

- (a) The balance represents other borrowings from the subsidiaries of Nongtou and a state-owned supplier which are unsecured, interest-bearing at 12.0% to 13.6% (2018: 10.0% to 13.6%) per annum and are repayable on demand.

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	2019 HK\$'000	2018 HK\$'000
Additional information		
Collaterals pledged for security:		
Property, plant and equipment	2,301,172	2,286,121
Prepaid land lease payments	—	113,653
Receivables from disposal of assets	444,444	454,545
Right-of-use-assets	105,888	—
Corporate guarantee by:		
The Company	6,187,474	6,340,681
Certain subsidiaries	513,637	527,513
Nongtou	555,556	568,182
A subsidiary and independent third parties (joint guarantee)	55,556	45,455
Denominated in Renminbi	7,627,781	7,998,004

Certain of the banking facilities are subject to the fulfillment of covenants relating to certain ratios based on the borrowing subsidiaries' statement of financial position, as are commonly found in lending arrangements with financial institutions. If the entities were to breach the covenants, the drawn down facilities would become repayable on demand. These borrowings were classified as current liabilities even though the directors do not expect that the lenders would exercise their rights to demand immediate repayment.

The directors regularly monitor its compliance with these covenants and do not consider it probable that the lenders will exercise their discretion to demand immediate repayment so long as the Group continues to make payments according to the schedule of the loans. Further details of the Group's management of liquidity risk are set out in note 37 to the consolidated financial statements. At 31 December 2019, covenants relating to drawn down facilities amounting to approximately HK\$22 million (2018: HK\$28 million) had been breached. In addition, the Group has defaulted in the repayment of certain bank loans of aggregate outstanding principal amount of approximately RMB2,206 million (2018: Nil) which have fallen due and become immediately payable. Such breach and default in repayment may also trigger cross default provisions in other loan agreements.

28. LEASE LIABILITIES

	2019 HK\$'000	2018 HK\$'000
Current portion	3,700	—
Non-current portion	2,188	—
	5,888	—

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29. CONVERTIBLE BONDS

The convertible bonds in an aggregate principal amount of HK\$1,086,279,565 were issued to and subscribed by a major shareholder of the Company (the "Convertible Bonds") in 2015. The Convertible Bonds may be converted into 4,722,954,631 conversion shares of the Company (the "Shares") based on the initial conversion price of HK\$0.23 (subject to adjustment) per share upon full conversion. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. The holder of the Convertible Bonds shall have 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 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 maturity date, provided that the public float of the shares of the Company shall not be less than 25% as required by the Listing Rules. The effective interest rate of the liability component is 6.4% per annum. As announced by the Company on 19 July 2019, the Company entered into the Subscription Agreement with Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, at the subscription price of HK\$0.10 per Subscription Share. 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.

The carrying amounts of the Convertible Bonds at the end of the reporting period are calculated as follows:

	2019 HK\$'000	2018 HK\$'000
Equity component		
Fair value of the Convertible Bonds at the date of issuance	1,086,280	1,086,280
Fair value of the liability component at the date of issuance	(795,695)	(795,695)
Equity component	290,585	290,585
Liability component		
At 1 January	971,771	913,070
Imputed interest	62,475	58,701
At 31 December	1,034,246	971,771

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30. DEFERRED INCOME

	2019 HK\$'000	2018 HK\$'000
At 1 January	133,759	150,165
Addition	3,056	1,918
Amortisation	(13,857)	(10,257)
Exchange realignment	(2,664)	(8,067)
At 31 December	120,294	133,759

Deferred income represents the receipt of government grants for the purchasing/constructing property, plant and equipment, which is amortised to profit or loss on a straight-line basis over the estimated useful lives of the relevant assets.

31. DEFERRED TAX

The movements of the Group's net deferred tax liabilities are as follows:

	2019 HK\$'000	2018 HK\$'000
At 1 January	10,773	9,561
Charged to profit or loss	39,239	650
Charged to equity	39,329	—
Exchange realignment	(5,232)	562
At 31 December	84,109	10,773

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Depreciation allowances	252,189	205,288	12,202	12,974
Revaluation of properties	—	—	297,914	249,841
Impairment of trade and other receivables	142	14,822	—	—
Tax losses	63,378	31,825	—	—
Others	—	107	89,702	—
	315,709	252,042	399,818	262,815
Offsetting	(315,709)	(252,042)	(315,709)	(252,042)
Deferred tax liabilities, net	—	—	84,109	10,773

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31. DEFERRED TAX *(Continued)*

Unrecognised deferred tax assets arising from:

	2019 HK\$'000	2018 HK\$'000
Deductible temporary differences	2,820,140	3,623,773
Tax losses	6,475,570	5,267,371
	9,295,710	8,891,144

Deductible temporary differences of approximately HK\$2,820 million (2018: HK\$3,624 million) and tax losses arising in Hong Kong of approximately HK\$438 million (2018: HK\$438 million) have no expiry date under current tax legislations. Tax losses arising in the PRC of approximately HK\$6,037 million (2018: HK\$4,829 million) which are available for offsetting against future taxable profits of the companies in which the losses arose will expire in one to five years. The directors consider that no deferred tax assets should be recognised as the directors consider that it is uncertain whether future taxable profits can be generated by these companies to utilise these tax losses and deductible temporary differences.

Deferred tax has not been recognised for withholding taxes and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling HK\$683 million at 31 December 2019 (2018: HK\$748 million). The directors consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

32. SHARE CAPITAL

	2019 HK\$'000	2018 HK\$'000
Authorised: 20,000,000,000 (31 December 2018: 20,000,000,000) ordinary shares of HK\$0.1 each	2,000,000	2,000,000

	2019 No. of shares	2019 HK\$'000	2018 No. of shares	2018 HK\$'000
Issued and fully paid:				
At 1 January	6,398,998,360	639,900	6,398,998,360	639,900
New shares issued (a)	1,279,799,672	127,980	—	—
At 31 December	7,678,798,032	767,880	6,398,998,360	639,900

Remarks:

- (a) On 20 August 2019, the Company issued 1,279,799,672 new shares to a Subscriber pursuant to a Subscription Agreement at the subscription price of HK\$0.10 per Subscription Share, with an aggregate net proceed of approximately HK\$127,980,000.
- (b) 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.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

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

On 2 January 2019, the Group entered into a capital increase agreement ("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 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

	<i>HK\$'000</i>
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)
	<u>5,877</u>

(ii) Goodwill

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

33. DEEMED DISPOSAL OF A SUBSIDIARY AND DEEMED ACQUISITION OF A JOINT VENTURE *(Continued)*
(iii) Gain on deemed disposal of a subsidiary

	<i>HK\$'000</i>
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	—
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:

	<i>HK\$'000</i>
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)

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

34. 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 ended 31 December 2019, certain subsidiaries of the Company, as guarantors of the financial guarantee contracts, paid interest of HK\$111 million (2018: HK\$105 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.

35. COMMITMENTS**(a) Capital commitments**

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for:		
Purchase/Construction of property, plant and equipment	537,703	549,657

(b) Commitments under operating leases

The Group leases its office premises under operating leases, which typically run for a period of three years. At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	2018 HK\$'000
Within one year	3,840
In the second to fifth years inclusive	6,079
	9,919

The Group is the lessee in respect of a property, held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balance at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.3 and are no longer disclosed as commitments under operating leases.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

36. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the year and at the end of the reporting period, the Group had the following transactions/balances with related parties:

(a) Transactions with related parties

Related party relationship	Nature of transactions	2019 HK\$'000	2018 HK\$'000
Key management personnel	Short-term employee benefits	6,046	10,243
	Post-employment benefits	256	269
	Termination benefits	65	540
	Other long-term benefits	—	263
		6,367	11,315
Subsidiaries of Nongtou	Purchase of corn kernels	774,220	651,563
	Sale of corn starch and other products	(4,405)	—
	Interest on payables	129,027	72,124
	Interest on other borrowings	7,928	9,819
Nongtou	Interest on financial guarantees	20,115	11,453

(b) Balances with related parties

	2019 HK\$'000	2018 HK\$'000
Due from a joint venture (a)	4,270	—
Due to an associate (a)	(1,593)	(2,675)
Trade payables to the Nongtou Group (b)	(372,467)	(444,302)
Other payables to the Nongtou Group (c)	(559,850)	(463,879)
Other borrowings from the Nongtou Group (d)	(56,833)	(58,126)

Remarks:

- (a) The balances are unsecured, non-interest bearing and have no fixed repayment terms.
- (b) The trade payables to the Nongtou Group are unsecured, interest-bearing at 7.2% to 12.0% per annum (2018: 8.0% to 12.0% per annum) after the lapse of credit periods.
- (c) The amount represented other payables to the Nongtou Group which are unsecured, interest-bearing at 7.2% to 12.0% per annum (2018: 8.0% to 12.0% per annum) which are repayable on demand and guarantee charge payables to Nongtou, which are charged interest at 3.5% per annum (2018: 3.5% per annum).
- (d) The other borrowings from the Nongtou Group are unsecured, interest-bearing at 13.64% per annum (2018: 13.64% per annum) and are repayable on demand.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The carrying amounts of each category of financial instruments at the end of the reporting period are as follows:

	2019 HK\$'000	2018 HK\$'000
Financial assets at amortised cost		
Trade and bills receivables	267,870	574,267
Financial assets included in prepayments, deposits and other receivables	557,774	552,817
Due from a joint venture	4,270	—
Pledged bank deposits	9,916	203,918
Cash and bank balances	79,509	135,033
	919,339	1,466,035
Financial liabilities at amortised cost		
Trade and bills payables	1,551,476	2,162,885
Financial liabilities included in other payables and accruals	1,453,111	1,443,373
Due to an associate	1,593	2,675
Interest-bearing bank and other borrowings	7,627,781	7,998,004
Convertible bonds	1,034,246	971,771
Lease liabilities	5,888	—
	11,674,095	12,578,708

The directors consider that the carrying amounts of the financial assets and financial liabilities in the consolidated financial statements approximate to their fair values.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing bank and other borrowings with floating interest rates.

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. Management continues to monitor the cash flow position of the Group and the debt market, and the Group would refinance its borrowings with a lower cost of debt when considered appropriate.

At the end of the reporting period, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss before tax would have increased/decreased by HK\$72,567,000 (2018: HK\$74,832,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2018.

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits, trade and bills receivables and financial assets included in prepayments, deposits and other receivables.

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

Cash and cash equivalents and pledged bank deposits

Substantially all of the Group's pledged bank deposits and cash and cash equivalents were deposited in creditworthy global financial institutions and state-controlled financial institutions in Hong Kong and the PRC, which management considers they are without significant credit risk.

Trade and bills receivables

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group normally allows credit terms of 30 to 90 days (2018: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. Since the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Trade and bills receivables *(Continued)*

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions during the year ended 31 December 2019.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is summarised below.

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Credit- impaired
At 31 December 2019				
Not past due	0.3 – 0.7	231,186	(1,566)	No
1 – 30 days past due	0.5 – 0.7	5,493	(39)	No
31 – 90 days past due	1.3 – 1.5	33,216	(420)	No
Over 90 days past due	100.0	381,491	(381,491)	Yes
		651,386	(383,516)	
At 31 December 2018				
Not past due	0.8	535,378	(4,326)	No
1 – 30 days past due	0.8	10,247	(87)	No
31 – 90 days past due	1.9	33,662	(607)	No
Over 90 days past due	100.0	399,061	(399,061)	Yes
		978,348	(404,081)	

The Group does not hold any collateral over trade receivables at 31 December 2019 (2018: Nil).

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)***Credit risk** *(Continued)***Trade and bills receivables** *(Continued)*

At 31 December 2019, the Group recognised loss allowance of HK\$383,516,000 (2018: HK\$404,081,000) on the trade and bills receivables. The movement in the loss allowance for trade and bills receivables during the years ended 31 December 2019 and 2018 is summarised below.

	2019 HK\$'000	2018 HK\$'000
At 1 January	404,081	429,515
Increase in allowance	14,257	6,700
Reversal of allowance	(23,958)	(13,875)
Exchange realignment	(10,864)	(18,259)
At 31 December	383,516	404,081

The individually impaired trade and bills receivables are long outstanding and/or relate to customers that were in financial difficulties so they are considered unrecoverable.

Other receivables

The Group performs impairment assessment on other receivables from various parties based on 12-month ECL. The credit risk of the Group's other receivables arises from default of the counterparties, with maximum exposure equal to the carrying amounts of these receivables. Individual credit limits are set based on the assessments of the credit quality.

In estimating the ECL, the Group has taken into account the historical actual credit loss experience and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year ended 31 December 2019.

As at 31 December 2019, the Group recognised loss allowance of HK\$72,035,000 (2018: HK\$69,252,000) on the balances.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets and projected cash flows from operations.

The Group's policy is to maintain sufficient cash and cash equivalents or available funding through an adequate amount of committed annual borrowing facilities from banks to meet its commitments over the following years in accordance with its strategic plan.

The maturity profile of the Group's non-derivative financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	On demand HK\$'000	Less than 3 months HK\$'000	More than 3 months but less than 12 months HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
At 31 December 2019						
Trade and bills payables	1,547,032	4,444	—	—	—	1,551,476
Financial liabilities included in other payables and accruals	1,453,111	—	—	—	—	1,453,111
Due to an associate	1,593	—	—	—	—	1,593
Interest-bearing bank and other borrowings	76,669	4,724,979	996,963	2,088,144	—	7,886,755
Convertible bonds	—	—	1,086,280	—	—	1,086,280
Lease liabilities	—	960	2,880	2,240	—	6,080
	3,078,405	4,730,383	2,086,123	2,090,384	—	11,985,295

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	On demand HK\$'000	Less than 3 months HK\$'000	More than 3 months but less than 12 months HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total HK\$'000
At 31 December 2018						
Trade and bills payables	1,929,201	75,279	158,405	—	—	2,162,885
Financial liabilities included in other payables and accruals	1,443,373	—	—	—	—	1,443,373
Due to an associate	2,675	—	—	—	—	2,675
Interest-bearing bank and other borrowings	2,699,889	1,651,826	1,942,418	1,883,577	1,421	8,179,131
Convertible bonds	—	—	—	1,086,280	—	1,086,280
	6,075,138	1,727,105	2,100,823	2,969,857	1,421	12,874,344

The above analysis is based on the scheduled repayment dates as set out in the loan agreements ignoring the effect of any repayment on demand clause.

In addition, as disclosed in note 34 to the consolidated financial statements, the Group may be required to make payments in respect of the financial guarantee contracts up to a maximum amount of RMB2.5 billion at 31 December 2019 (2018: RMB2.5 billion).

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

38. LITIGATIONS

Delayed payments to suppliers

In previous years, the Group delayed settlement of payables to suppliers due to shortage of working capital. As a result, several subsidiaries in the PRC have been involved in litigations initiated by various suppliers related to overdue payables. Up to the date of this report, majority of the litigations have been concluded by the court and/or settled, while some of the litigations are still pending judgment. Since the Group has already recorded these payables in the consolidated financial statements, the directors are of the view that the litigations will not have any significant financial impact to the Group.

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

39. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Investments in subsidiaries		—	—
Current assets			
Other receivables		621	995
Cash and cash equivalents		1,784	1,799
		2,405	2,794
Current liabilities			
Other payables and accruals		4,262	3,114
Financial guarantee contracts		573,942	667,133
Convertible bonds		1,034,246	—
		1,612,450	670,247
Net current liabilities		(1,610,045)	(667,453)
Total assets less current liabilities		(1,610,045)	(667,453)
Non-current liabilities			
Convertible bonds		—	971,771
Financial guarantee contracts		615,964	682,136
		615,964	1,653,907
NET LIABILITIES		(2,226,009)	(2,321,360)
Equity			
Share capital		767,880	639,900
Reserves	39(a)	(2,993,889)	(2,961,260)
TOTAL DEFICIT		(2,226,009)	(2,321,360)

The statement of financial position was approved and authorised for issue by the board of directors on 26 March 2020 and signed on its behalf by

Yuan Weisen
Director

Liu Shuhang
Director

Notes to the Consolidated Financial Statements

Year ended 31 December 2019

39. THE COMPANY'S STATEMENT OF FINANCIAL POSITION *(Continued)*

(a) Reserves

	Share premium <i>HK\$'000</i>	Convertible bond reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	3,127,204	290,585	(5,955,077)	(2,537,288)
Loss and total comprehensive loss for the year	—	—	(423,972)	(423,972)
At 31 December 2018	3,127,204	290,585	(6,379,049)	(2,961,260)
Profit and total comprehensive income for the year	—	—	(32,629)	(32,629)
At 31 December 2019	3,127,204	290,585	(6,411,678)	(2,993,889)

The share premium of the Company represents the difference between the cost of investments in subsidiaries pursuant to a reorganisation in a prior year and the nominal value of the Company's shares issued therefor.

In accordance with the Companies Law (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

40. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the Group's business activities in Changchun have been suspended until further notice as a result of the outbreak of COVID-19. Although operations in Shanghai and Jinzhou resumed during February to March 2020, the scale was limited due to implementation of various measures to prevent the epidemic, such as, home office arrangements for office staff and maintaining only minimum number of workers in production lines.

At the date of authorisation for issue of these consolidated financial statements, the Group was not able to estimate the financial impact of these events.

41. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for the issue by the board of directors on 26 March 2020.

**3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 as extracted from the interim report of the Company for the six months ended 30 June 2020.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
REVENUE	4	479,135	2,799,444
Cost of sales		(438,231)	(2,745,683)
Gross profit		40,904	53,761
Other income and gains	4	31,749	80,737
Selling and distribution costs		(54,049)	(247,701)
Administrative expenses		(180,253)	(212,517)
Other expenses		(379,593)	(210,967)
Share of loss of a joint venture		(1,270)	(394)
Finance costs	5	(360,331)	(301,160)
LOSS BEFORE TAX	6	(902,843)	(838,241)
Income tax expenses	7	—	—
LOSS FOR THE PERIOD		(902,843)	(838,241)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		45,286	29,146
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(857,557)	(809,095)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(848,412)	(800,581)
Non-controlling interests		(54,431)	(37,660)
		(902,843)	(838,241)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		(805,111)	(774,405)
Non-controlling interests		(52,446)	(34,690)
		(857,557)	(809,095)
LOSS PER SHARE	8		
Basic		HK(10.5) cents	HK(12.5) cents
Diluted		HK(10.5) cents	HK(12.5) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,891,048	6,151,537
Right-of-use assets		545,383	563,682
Deposits paid for acquisition of property, plant and equipment		41,487	58,502
Intangible assets		3,125	3,751
Interests in an associate		—	—
Interests in a joint venture		3,066	4,336
Equity investment at fair value through other comprehensive income ("Designated FVOCI")		208	208
		6,484,317	6,782,016
CURRENT ASSETS			
Inventories		146,447	369,496
Trade and bills receivables	11	99,345	267,870
Prepayments, deposits and other receivables	12	668,027	721,852
Due from a joint venture		5,649	4,270
Pledged bank deposits		13,331	9,916
Cash and bank balances		86,812	79,509
		1,019,611	1,452,913
CURRENT LIABILITIES			
Trade and bills payables	13	1,304,492	1,551,476
Other payables and accruals	14	2,403,183	2,047,566
Due to an associate		1,347	1,593
Tax payables		104,423	107,967
Interest-bearing bank and other borrowings		7,491,867	5,583,337
Lease liabilities		3,743	3,700
Convertible bonds		1,066,974	1,034,246
		12,376,029	10,329,885
NET CURRENT LIABILITIES		(11,356,418)	(8,876,972)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,872,101)	(2,094,956)

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		—	2,044,444
Lease liabilities		313	2,188
Deferred income		115,071	120,294
Deferred tax liabilities		83,373	84,109
		198,757	2,251,035
NET LIABILITIES		(5,070,858)	(4,345,991)
CAPITAL AND RESERVES			
Share capital	15	890,741	767,880
Reserves		(5,761,027)	(4,965,745)
Deficit attributable to owners of the Company		(4,870,286)	(4,197,865)
Non-controlling interests		(200,572)	(148,126)
TOTAL DEFICIT		(5,070,858)	(4,345,991)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company										Non-controlling interests	Total deficit
	Share capital	Share premium	Properties revaluation reserve	Convertible bonds reserve	Other reserve	Statutory reserve fund	Exchange reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	767,880	2,839,469	898,575	290,585	15,677	114,034	2,127,173	(11,251,258)	(4,197,865)	(148,126)	(4,345,991)	
Loss for the period	-	-	-	-	-	-	-	(848,412)	(848,412)	(54,431)	(902,843)	
Other comprehensive income for the period	-	-	-	-	-	-	43,301	-	43,301	1,985	45,286	
Total comprehensive income (loss) for the period	-	-	-	-	-	-	43,301	(848,412)	(805,111)	(52,446)	(857,557)	
Transactions with owners: Contributions and distributions												
Issue of share capital	122,861	9,829	-	-	-	-	-	-	132,690	-	132,690	
Total transactions with owners	122,861	9,829	-	-	-	-	-	-	132,690	-	132,690	
At 30 June 2020 (unaudited)	890,741	2,849,298	898,575	290,585	15,677	114,034	2,170,474	(12,099,670)	(4,870,286)	(200,572)	(5,070,858)	

	Attributable to owners of the Company										Non-controlling interests	Total deficit
	Share capital	Share premium	Properties revaluation reserve	Convertible bonds reserve	Other reserve	Statutory reserve fund	Exchange reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 as previously reported	639,900	2,839,469	799,638	290,585	15,677	113,944	2,036,220	(10,183,314)	(3,447,881)	(122,653)	(3,570,534)	
Changes in accounting policy on adopting HKFRS16	-	-	-	-	-	-	-	(35)	(35)	-	(35)	
As restated	639,900	2,839,469	799,638	290,585	15,677	113,944	2,036,220	(10,183,349)	(3,447,916)	(122,653)	(3,570,569)	
Loss for the period	-	-	-	-	-	-	-	(800,581)	(800,581)	(37,660)	(838,241)	
Other comprehensive income for the period	-	-	-	-	-	-	28,391	-	28,391	755	29,146	
Total comprehensive income (loss) for the period	-	-	-	-	-	-	28,391	(800,581)	(772,190)	(36,905)	(809,095)	
Transactions with owners: Contributions and distributions												
Transfer	-	-	-	-	-	-	755	-	755	2,215	2,970	
Total transactions with owners	-	-	-	-	-	-	755	-	755	2,215	2,970	
At 30 June 2019 (unaudited)	639,900	2,839,469	799,638	290,585	15,677	113,944	2,065,366	(10,983,930)	(4,219,351)	(157,343)	(4,376,694)	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(902,843)	(838,241)
Adjustments for:		
Finance costs	360,331	301,160
Bank interest income	(250)	(881)
Depreciation		
— Property, plant and equipment	212,537	255,773
— Right-of-use assets	12,372	13,230
Amortisation of intangible assets	—	3
Amortisation of deferred income	(3,418)	(6,753)
Loss on disposal of property, plant and equipment, net	—	17
Gain on disposal of right-of-use assets	—	(2,210)
Impairment of deposits paid for acquisition of property, plant and equipment	16,205	33
Reversal of write-down of inventories, net	(2,086)	(8,696)
Impairment (Reversal of impairment) of trade and bills receivables, net	20,966	(6,257)
Impairment of prepayments, deposits and other receivables, net	12,447	19,499
Share of loss of a joint venture	1,270	394
Waiver of payables	(810)	—
Gain on deemed disposal of a subsidiary	—	(35,758)
Changes in working capital:		
Inventories	220,953	119,007
Trade and bills receivables	144,565	132,382
Prepayments, deposits and other receivables	33,391	196,063
Trade and bills payables	(229,924)	(218,576)
Other payables and accruals	106,809	265,111
Due to an associate	(229)	(5,348)
Due from a joint venture	(1,426)	14
Cash generated from operations	860	179,966
Interest received	250	881
Income taxes paid	(341)	(102)
Net cash generated from operating activities	769	180,745

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(9,735)	(30,725)
Proceeds from disposal of property, plant and equipment	—	4,057
Net cash outflow on deemed disposal of a subsidiary	—	(6,131)
Net cash used in investing activities	(9,735)	(32,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	132,690	—
Proceeds from new interest-bearing bank and other borrowings	65,494	2,979,030
Repayment of interest-bearing bank and other borrowings	(117,670)	(3,114,056)
Repayment of lease liabilities	(1,920)	(1,895)
Interest paid	(56,072)	(176,567)
Pledged bank deposits	(3,524)	111,228
Net cash generated from (used in) financing activities	18,998	(202,260)
Net increase (decrease) in cash and cash equivalents	10,032	(54,314)
Cash and cash equivalents at beginning of period	79,509	135,033
Effect of foreign exchange rate changes, net	(2,729)	15,463
Cash and cash equivalents at end of period	86,812	96,182

Notes to Condensed Consolidated Financial Statements**For the six months ended 30 June 2020****1. CORPORATE INFORMATION**

The condensed consolidated financial statements of Global Bio-chem Technology Group Company Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”) were authorised for issue in accordance with a resolution of the board (the “**Board**”) of directors (the “**Directors**”) of the Company on 27 August 2020.

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 was no significant change in the nature of the Group’s principal activities during the Period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**2.1 Basis of preparation**

The condensed consolidated financial statements for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

2.2 Going concern

The Group recorded a loss of approximately HK\$903 million (six months ended 30 June 2019: approximately HK\$838 million) for the Period and as at 30 June 2020, had net current liabilities of approximately HK\$11,356 million (31 December 2019: approximately HK\$8,877 million) and net liabilities of approximately HK\$5,071 million (31 December 2019: approximately HK\$4,346 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts (the “**Financial Guarantee Contracts**”) as discussed in note 16 provided by certain subsidiaries of the Group and Global Sweeteners Holdings Limited (“**GSH**”, together with its subsidiaries, the “**GSH Group**”) (collectively, the “**Guarantor Subsidiaries**”), for the benefit of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.) (“**Dajincang**”), may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group’s ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the “**Audit Committee**”) of the Company after its critical review of the management’s position, the management of the Company has taken the following steps to improve the Group’s financial position:

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)***2.2 Going concern** *(Continued)***(a) Active negotiations with banks to obtain adequate bank borrowings and lower the debt ratio of the Group**

As disclosed in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), 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.

At 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*) (“**Jilin SASAC**”), 吉林省地方金融監督管理局 (Jilin Province Local Financial Supervision Administration*), 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.*) (“**Nongtou**”, together with its subsidiaries, the “**Nongtou Group**”) (an entity controlled by Jilin SASAC and an indirect major shareholder of the Company) and the management of the Group held in Changchun on 1 February 2019, the parties acknowledged the direction of the debt restructuring plan and reinstated their intention to push through the execution of such plan. 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)***2.2 Going concern** *(Continued)***(a) Active negotiations with banks to obtain adequate bank borrowings and lower the debt ratio of the Group** *(Continued)*

Subsequent to the meeting on 1 February 2019, the parties continued with the negotiation about the debt restructuring plan. In mid-February 2020, the Company was notified by 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) (**“BOC Jilin Branch”**) that it had 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 had agreed to sell to the New Creditor, and the New Creditor had agreed to purchase, all of its rights and benefits of the loans with aggregate outstanding principal amount of approximately RMB4,017 million (the **“Transferred Loans”**) which included the loans of the Group (including the GSH Group) in the amount of approximately RMB1,527 million, together with the outstanding interest and the indebtedness of Dajincang that was guaranteed by the Guarantor Subsidiaries at a consideration of approximately RMB816 million. After the completion of the transfer of the Transferred Loans, the management of the Group continues to explore the next step of the debt restructuring plan with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group. The Board believes that once the Transferred Loans have been resolved, 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脫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 Jilin SASAC to all the relevant banks and financial institutions, in which it reiterated the debt restructuring plan 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 plan of BOC Jilin Branch.

During the Period, the management of the Group has been working on facilitating similar arrangement of the Transferred Loans for the outstanding debts and the indebtedness owed to other major lending banks. It is currently expected that the transfer of the indebtedness owed by the Group to other major lending banks will be completed in 2020, pending the internal approval from the respective lending banks.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)***2.2 Going concern** *(Continued)***(a) Active negotiations with banks to obtain adequate bank borrowings and lower the debt ratio of the Group** *(Continued)*

The Company will endeavour to facilitate the materialisation of the debt restructuring plan. The Board expects that the Group would be able to resolve all the amounts due and owing under the Transferred Loans and the indebtedness of Dajincang in 2020.

(b) Resumption 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 Annual 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 at 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 Annual 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 (The Changchun Safeguard Housing Project Leading Group*) in which the Relevant Properties have been confirmed as part of the subject properties for redevelopment under the PRC’s Slum Redevelopment Policy. Such policy is expected to speed up the process of the resumption 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 綠園區土地徵收辦事處 (The Land Acquisition Office of Luyuan District*). The Group had received a land resumption prepayment in the amount of approximately RMB377 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, and the Potential Purchaser and 長春市綠園區人民政府 (The People’s Government of Luyuan District of Changchun City*) (the “**Local Government**”) in the last quarter of 2019 confirmed that the Potential Purchaser and the Local Government were satisfied with the progress of the relocation.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)***2.2 Going concern** *(Continued)***(b) Resumption of land and buildings located in Luyuan District, Changchun**
(Continued)

On 10 June 2020, a meeting was held in Changchun amongst the representatives of 長春市土地儲備中心 (The Changchun Land Reserve Centre*), the Local Government, 綠園區審計局 (The Audit Bureau of Luyuan District*), the Land Acquisition Office of Luyuan District, the Potential Purchaser and the Group. At the meeting, it was agreed that the Changchun Land Reserve Centre and the Local Government should speed up the settlement of the remaining balance of the outstanding receivable of RMB400 million to the Group. As at the date of this report, the Group has received RMB200 million from the Local Government and the remaining amount is expected to be received by the end of 2020.

On the other hand, as announced by the Company and GSH on 24 August 2020, the Local Government has announced its decision to resume the Relevant Properties. The first phase of resumption (the “**Dihao Resumption**”) involved the properties owned by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) (“**Dihao Foodstuff**”), an indirect wholly-owned subsidiary of GSH, with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres (the “**Dihao Properties**”). In accordance with the notices from the Local Government, Dihao Foodstuff is required to surrender the Dihao Properties by the third quarter of 2020. The Group is expected to receive a total compensation of approximately RMB443 million as a result of the Dihao Resumption. The compensation amount was based on the valuation report as of mid-August 2020 by an independent valuer selected and engaged in accordance with 吉林省國有土地上房屋徵收與補償辦法 (Measures on the Expropriation of Properties on State-owned Land and Compensation of Jilin Province*) and 長春市國有土地上房屋徵收與補償暫行辦法 (Interim Measures on the Expropriation of Properties on State-owned Land and Compensation of Changchun City*).

It is expected that resumption of remaining part of the Relevant Properties by the government will be conducted in stages according to the relevant government policy. The Group has yet to enter into the formal agreements in relation to the Dihao Resumption with the Local Government as at the date of this report. The Board expects that the proceeds from the Dihao Resumption will help relieve the financial and cashflow pressure of the Group during period of suspension and provide part of the funding for the capital expenditure for the relocation of the Group’s 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 Period, the Group has optimised its production and consolidated its resources in higher efficiency segments to minimise operating cash outflow.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)***2.2 Going concern** *(Continued)***(d) Financial support from the indirect major shareholder**

The Group has received a 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 16. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group has secured the supply of corn kernels through the execution of corn purchasing contract with the Nongtou Group during the Period to ensure a sufficient supply of corn kernels when the Group's operation resumes.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 30 June 2020 amounted to approximately RMB1,951 million (31 December 2019: approximately RMB2,102 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, to provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group.

(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. As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with HK Bloom Investment Limited ("**HK Bloom**" or the "**Subscriber**"), a company established under the British Virgin Islands laws with limited liability, respectively, 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 "**First Subscription Shares**") at the subscription price of HK\$0.10 per First Subscription Share (the "**First Subscription**") and an aggregate of 1,228,607,685 new shares (the "**Second Subscription Shares**") at the subscription price of HK\$0.1080 per Second Subscription Share (the "**Second Subscription**"). As a result of completion of the subscription on 20 August 2019 (the "**First Subscription Completion**") and 29 April 2020 (the "**Second Subscription Completion**"), the net proceeds from the First Subscription and the Second Subscription in the amounts of approximately HK\$127,900,000 and HK\$132,000,000 have been utilised as general working capital of the Group.

Notes to Condensed Consolidated Financial Statements**For the six months ended 30 June 2020****2. BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(Continued)***2.2 Going concern** *(Continued)*

The validity of the going concern assumption on which the condensed 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 would have sufficient working capital for operation need for at least 12 months from 30 June 2020. Therefore, the condensed 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 condensed consolidated statement of financial position. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted in preparing the condensed consolidated financial statements for the Period are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group and are effective from the Period.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business

The adoption of the new/revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the Period and prior years.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four (six months ended 30 June 2019: 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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION *(Continued)*

- (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 profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or 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 prevailing selling prices used for sales made to third parties.

(a) Segment results

Six months ended 30 June 2020 (unaudited)

	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	239,648	9,312	228,895	1,280	—	479,135
Intersegment	9,775	7,270	—	238	(17,283)	—
Revenue	249,423	16,582	228,895	1,518	(17,283)	479,135
Segment results	(279,736)	(180,248)	(42,370)	(10,981)		(513,335)
Bank interest income						250
Unallocated income						12,882
Unallocated expenses						(41,039)
Share of loss of a joint venture						(1,270)
Finance costs						(360,331)
Loss before tax						(902,843)
Income tax expenses						—
Loss for the period						(902,843)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results *(Continued)*

Six months ended 30 June 2019 (unaudited)

	Upstream products <i>HK\$'000</i>	Amino acids <i>HK\$'000</i>	Corn sweeteners <i>HK\$'000</i>	Polyol chemicals <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from:						
External customers	1,441,945	887,951	465,628	3,920	—	2,799,444
Intersegment	71,635	—	—	1,082	(72,717)	—
Revenue	1,513,580	887,951	465,628	5,002	(72,717)	2,799,444
Segment results	(348,929)	(173,842)	(42,473)	(12,053)		(577,297)
Bank interest income						881
Unallocated income						68,605
Unallocated expenses						(28,876)
Share of loss of a joint venture						(394)
Finance costs						(301,160)
Loss before tax						(838,241)
Income tax expenses						—
Loss for the period						(838,241)

(b) Geographical information

Revenue information based on location of customers

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
The PRC	448,657	2,334,563
Asia, the Americas and other regions	30,478	464,881
	479,135	2,799,444

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	479,135	2,799,444
Other income and gains		
Amortisation of deferred income	3,418	6,753
Bank interest income	250	881
Gains arising from the sale of packing materials and by-products, net	563	662
Government grants (b)	3,432	4,994
Foreign exchange gain, net	—	1,982
Wavier of payables	810	—
Reversal of write-down of inventories, net	—	8,330
Reversal of impairment of trade and bills receivables, net	—	6,257
Gain on disposal of right-of-use assets	—	2,210
Gain on deemed disposal of a subsidiary	—	35,758
Subcontracting income	16,476	2,018
Others	6,800	10,892
	31,749	80,737

Remarks:

- (a) The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.
- (b) Government grants represented rewards to certain subsidiaries of the Company with no further obligations and conditions to be complied with.

5. FINANCE COSTS

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interest on bank and other borrowings	217,880	193,971
Finance costs for discounted bills receivables	503	2,810
Interest on financial guarantees given by Nongtou	9,527	9,290
Interest on payables to suppliers	99,605	64,208
Imputed interest on convertible bonds	32,728	30,751
Interest on lease liabilities	88	130
	360,331	301,160

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	122,273	165,582
— Pension scheme contributions	29,386	34,966
	151,659	200,548
Cost of inventories sold (a)	435,058	2,734,606
Depreciation		
— Property, plant and equipment	212,537	255,773
— Right-of-use assets	12,372	13,230
Amortisation of intangible assets	—	3
Amortisation of deferred income	(3,418)	(6,753)
Loss on disposal of property, plant and equipment, net	—	17
Gain on disposal of right-of-use assets	—	(2,210)
Gain on deemed disposal of a subsidiary	—	(35,758)
Impairment of deposits paid for acquisition of property, plant and equipment	16,205	33
Reversal of write-down of inventories, net (b)	(2,086)	(8,696)
Impairment (Reversal of impairment) of trade and bills receivables, net	20,966	(6,257)
Impairment of prepayments, deposits and other receivables, net	12,447	19,499

Remarks:

- (a) Cost of inventories sold includes employee benefit expenses, depreciation and reversal of write-down of inventories, which are also included in the respective 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 Nil and HK\$2,086,000 (six months ended 30 June 2019: HK\$8,330,000 and HK\$366,000) respectively.

Notes to Condensed Consolidated Financial Statements**For the six months ended 30 June 2020****7. INCOME TAX EXPENSES**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Period and the six months ended 30 June 2019.

No provision for the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax losses during the Period and the six months ended 30 June 2019.

8. LOSS PER SHARE

The calculation of the basic loss per share for the Period is based on the loss for the Period attributable to owners of the Company of approximately HK\$848,412,000 (six months ended 30 June 2019: HK\$800,581,000) and the weighted average number of ordinary shares in issue during the Period of 8,104,085,308 (six months ended 30 June 2019: 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 Period and the six months ended 30 June 2019.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Period (six months ended 30 June 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
At 1 January 2020/1 January 2019	6,151,537	6,496,030
Additions	9,883	56,457
Disposals	—	(6,052)
Deemed disposal of a subsidiary	—	(14,201)
Gain on properties revaluation, net	—	211,932
Depreciation	(212,537)	(479,343)
Exchange realignment	(57,835)	(113,286)
At 30 June 2020/31 December 2019	5,891,048	6,151,537

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

11. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	493,918	648,479
Bills receivables	3,846	2,907
	497,764	651,386
Loss allowance	(398,419)	(383,516)
	99,345	267,870

The Group normally allows credit terms of 30 to 90 days (31 December 2019: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group.

Trade and bills receivables are non-interest bearing. The Group's trade receivables relate to a large number of diversified customers. There is no significant concentration of credit risk.

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	52,769	176,294
1 to 2 months	23,094	46,925
2 to 3 months	6,196	9,760
3 to 6 months	4,165	14,214
Over 6 months	13,121	20,677
	99,345	267,870

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Prepayments	42,809	57,762
Deposits and other debtors	95,870	93,198
The PRC value-added tax ("VAT") and other tax receivables	91,855	106,316
Receivables from disposal of assets (a)	437,493	464,576
	668,027	721,852

Remark:

- (a) Included in the receivables from disposal of assets was the remaining consideration receivable 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 approximately HK\$417,582,000 (31 December 2019: HK\$444,444,000) at 30 June 2020. The Group has received approximately HK\$219,780,000 as at the date of this report.

13. TRADE AND BILLS PAYABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade payables		
— To third parties (a)	954,903	1,174,565
— To the Nongtou Group (b)	341,781	372,467
	1,296,684	1,547,032
Bills payables	7,808	4,444
	1,304,492	1,551,476

Remarks:

- (a) At 31 December 2019, the trade payables to third parties included balances payable to a state-owned supplier of approximately HK\$67 million, which were unsecured and interest-bearing at 8% to 9% per annum after the credit periods lapsed. During the Period, Nongtou acquired 100% equity interest of the state-owned supplier and the corresponding balance payable was disclosed in trade payables to the Nongtou Group at 30 June 2020.
- (b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 7.2% to 12% per annum (31 December 2019: 7.2% to 12% per annum) after the credit periods lapsed.

Notes to Condensed Consolidated Financial Statements**For the six months ended 30 June 2020****13. TRADE AND BILLS PAYABLES** *(Continued)*

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2019: 30 to 90 days) from its suppliers.

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	121,638	319,900
1 to 2 months	10,183	113,490
2 to 3 months	20,877	32,609
Over 3 months	1,151,794	1,085,477
	1,304,492	1,551,476

14. OTHER PAYABLES AND ACCRUALS

	Note	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Accruals for employee benefits		324,660	274,352
Payables for purchases of machinery		118,916	123,518
Receipts in advance		132,303	187,005
Payables to the Nongtong Group	18(b)	672,373	559,850
VAT and other duties payables		157,310	133,098
Accruals and other creditors		997,621	769,743
		2,403,183	2,047,566

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

15. SHARE CAPITAL

	30 June 2020 (Unaudited) HK\$'000		31 December 2019 (Audited) HK\$'000	
Authorised:				
20,000,000,000 (31 December 2019: 20,000,000,000) ordinary shares of HK\$0.10 each	2,000,000		2,000,000	
	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	No. of shares	HK\$'000	No. of shares	HK\$'000
Issued and fully paid:				
At 1 January	7,678,798,032	767,880	6,398,998,360	639,900
New shares issued	1,228,607,685	122,861	1,279,799,672	127,980
At 30 June/31 December	8,907,405,717	890,741	7,678,798,032	767,880

Subsequent to the Second Subscription Completion on 29 April 2020, the Company issued 1,228,607,685 new shares at the subscription price of HK\$0.1080 per Second Subscription Share, at an aggregate consideration of approximately HK\$132,690,000.

16. FINANCIAL GUARANTEE CONTRACTS

Several subsidiaries of the Company have jointly provided corporate guarantees to a financial institution 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 as at 30 June 2020 (31 December 2019: RMB2.5 billion). Since the management of the Company 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 condensed consolidated financial statements in respect of the Financial Guarantee Contracts.

During the Period, certain subsidiaries of the Company, as guarantors of the Financial Guarantee Contracts, have recognised interest of approximately HK\$75 million (six months ended 30 June 2019: HK\$57 million) in respect of the borrowings of Dajincang, which was recorded in "other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. CAPITAL COMMITMENTS

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Contracted, but not provided for:		
Purchase/Construction of property, plant and equipment	526,490	537,703

18. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances as detailed elsewhere in the condensed consolidated financial statements, the Group had the following major transactions/balances with related parties during the Period:

(a) Transactions with related parties

Related parties	Nature of transactions	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
The Nongtou Group	Purchase of corn kernels (b)	19,840	897,226
The Nongtou Group	Sale of corn starch and other products (c)	(14,597)	(3,324)
The Nongtou Group	Interest on payables	94,042	49,103
The Nongtou Group	Interest on other borrowings	7,976	4,056
Nongtou	Guarantee charge	9,527	9,290

(b) Balances with related parties

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Due from a joint venture (a)	5,649	4,270
Due to an associate (a)	(1,347)	(1,593)
Trade payables to the Nongtou Group (b)	(341,781)	(372,467)
Other payables to the Nongtou Group (d)	(672,373)	(559,850)
Other borrowings from the Nongtou Group (e)	(61,703)	(56,833)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

18. RELATED PARTY TRANSACTIONS *(Continued)***(b) Balances with related parties** *(Continued)*

Remarks:

- (a) The balances are unsecured, non-interest bearing and have no fixed repayment terms.
- (b) The Group sourced corn kernels from the Nongtou Group. These purchases were made in accordance with the new master supply agreement in relation to the supply of corn kernels by the Nongtou Group to members of the Group dated 12 September 2018. The trade payables to the Nongtou Group are unsecured, interest-bearing at 7.2% to 12% per annum (31 December 2019: 7.2% to 12% per annum) after the lapse of credit periods.
- (c) The Group sold corn starch to the Nongtou Group. These sales were made in accordance with the master sales agreement in relation to supply of corn starch and other corn based products dated 12 September 2018.
- (d) The payables represent advances from the subsidiaries of Nongtou amounted to approximately HK\$664 million (31 December 2019: HK\$553 million) which are unsecured, interest-bearing at 7.2% to 12% per annum (31 December 2019: 7.2% to 12% per annum) and repayable on demand, and guarantee charge (at 3.5% per annum (31 December 2019: 3.5% per annum)) payables to Nongtou amounted to approximately HK\$8 million (31 December 2019: HK\$7 million).
- (e) The other borrowings from the Nongtou Group are unsecured, interest-bearing at 12% to 13.64% per annum (31 December 2019: 13.64% per annum) and repayable on demand.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Short-term employee benefits	2,709	3,054
Post-employment benefits	343	146
Termination benefits	—	65
	3,052	3,265

4. INDEBTEDNESS**Bank and other borrowings**

At the close of business on 31 August 2020, the Group had interest-bearing bank borrowings and other borrowings of approximately HK\$7,491.9 million. The percentage of interest-bearing bank borrowings and other borrowing wholly repayable within one year or on demand and in the second to the fifth years were 97.7% and 2.3% respectively. As at 31 August 2020, approximately RMB319.2 million of the interest-bearing bank and other borrowings have been charged at fixed interest rates ranging from 7.0% to 13.6% per annum for terms from one year to three years. Other than that, the rest of the Groups' interest-bearing bank and other borrowings were charged with reference to floating interest rate.

As at 31 August 2020, the Group's interest-bearing bank and other borrowings amounted to HK\$5,249.5 million were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group amounted to HK\$2,120.4 million and HK\$111.2 million, respectively, and a receivable from disposal of assets amounted to HK\$219.8 million.

Contingent liabilities

At the close of business on 31 August 2020, certain subsidiaries of the Company were subject to certain guarantee contracts dated 18 January 2018 which were entered into by the Group in favour of Bank of China Weifeng International Branch (the “**Weifeng BOC**”) in connection with facilities granted to and to all indebtedness due and owed by 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd*) (“**Dajincang**”), a former major supplier of the Group, to the Weifeng BOC pursuant to any loan agreements or other documents signed by Dajincang in the maximum principal amount of RMB2.5 billion. Dajincang has defaulted in the repayment of loans since 30 September 2018 with aggregate outstanding principal amount of RMB2.49 billion and outstanding interest (including penalty interest) of approximately RMB170.2 million (the “**Dajincang Indebtedness**”) incurred during the period between 30 September 2018 and up to the close of business on 31 August 2020. As announced by the Company on 25 February 2020, the Company has been notified by 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) (“**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.*) (“**China Cinda**”) pursuant to which

BOC Jilin Branch has agreed to sell to China Cinda, and China Cinda has agreed to purchase, all of its rights and benefits in certain loans which included the Dajincang Indebtedness. The Group may therefore be demanded to take up the Dajincang Indebtedness at any time so requested by China Cinda. However, up to the Latest Practicable Date, the Group has yet to receive any demand for repayment from China Cinda.

Apart from intra-Group liabilities, the Group's liability under the Convertible Bonds and save as aforesaid, at the close of business on 31 August 2020, the Group did not have any other bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that save as disclosed below, there is no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date:

- (a) as disclosed in the interim report of the Company for the six months ended 30 June 2020, (i) the net current liabilities of the Group has increased from approximately HK\$8,877.0 million as at 31 December 2019 to approximately HK\$11,356.4 million as at 30 June 2020; (ii) the total assets less current liabilities of the Group has increased from approximately HK\$2,095.0 million as at 31 December 2019 to approximately HK\$4,872.1 million as at 30 June 2020; and (iii) the net liabilities of the Group have increased from approximately HK\$4,346.0 million as at 31 December 2019 to approximately HK\$5,070.9 million as at 30 June 2020;
- (b) as disclosed in the Company's announcement dated 29 May 2020 and the interim report of the Company for the period ended 30 June 2020, in light of the poor market sentiment in the PRC and the negative impact imposed by the COVID-19 pandemic, certain production facilities of the Group (except the operation in Shanghai) have been suspended. The revenue of the Group for the six months ended 30 June 2020 was approximately HK\$479.1 million, representing a decrease of approximately HK\$2,799.4 million or 82.9% as compared to the six months ended 30 June 2019;

- (c) as disclosed in the joint announcement of the Group and GSH together with its subsidiaries (the “**GSH Group**”) 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) was approximately RMB3.7 billion with outstanding interest amounting to approximately RMB288.6 million as at 31 August 2020. The maximum liability guaranteed by the Group was approximately RMB3.9 billion, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements, as at 31 August 2020. Certain subsidiaries of the GBT Group have also provided securities to secure the loans. Meanwhile, the GSH Group has also defaulted in the repayment of the certain loans and the aggregate outstanding principal amount under such loans is approximately RMB198.6 million with outstanding interest amounting to approximately RMB14.8 million as at 31 August 2020. The maximum liability guaranteed by the Company is RMB199.0 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements, as at 31 August 2020;
- (d) as disclosed in the joint announcement of the Group and the GSH Group dated 4 May 2020, 錦州元成生化科技有限公司 (Jinzhou Yuancheng Biochem Technology Co., Ltd.*), which is an indirect wholly-owned subsidiary of GSH, has failed to fulfilled certain financial covenants under various loan agreements entered into with 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) and 中國銀行股份有限公司錦州港支行 (Jinzhou Branch of Bank of China*) and such breach entitles the lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the loan agreements immediately due and payable. As at 31 August 2020, the aggregate outstanding principal amount under such loan agreements was RMB219.9 million with outstanding interest amounting to approximately RMB3.6 million; and
- (e) as disclosed in the Company’s announcement dated 30 September 2020, the Group has entered into a compensation agreement with the Changchun Municipal Government, 長春市綠園區人民政府 (The People’s Government of Luyuan District of Changchun City*), pursuant to which the Group will receive a compensation of approximately RMB443.0 million (equivalent to approximately HK\$486.8 million) in relation to the resumption of properties owned by the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than information relating to the Bondholder and parties acting in concert with it) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Bondholder and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director of the Bondholder) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of the Bondholder accepts and the directors of Nongtou jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL OF THE COMPANY

Authorised and issued share capital

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Shares	<i>HK\$</i>
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Authorised:

20,000,000,000	Authorised share capital of HK\$2,000,000,000 divided into 20,000,000,000 Shares	2,000,000,000
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Issued and fully paid:

8,907,405,717	Issued and paid up share capital of HK\$890,740,571.7 divided into 8,907,405,717 Shares	890,740,571.7
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In the period between 31 December 2019 (being the date to which the Company's latest published audited accounts were prepared) and the Latest Practicable Date, the Company issued 1,228,607,685 new shares to HK Bloom on 29 April 2020 at the subscription price of HK\$0.1080 pursuant to the completion of the subscription agreement dated 27 September 2019 entered into between the Company and HK Bloom, at an aggregate consideration of approximately HK\$132,690,000.

All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting and capital.

Save for the Conversion Shares, the Company did not have any outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.194 per Share (on 30 October 2020) and HK\$0.1 per Share (on 28 August 2020) respectively.

- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last trading day of each of the calendar months during the Relevant Period; (ii) the Extension Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
31 December 2019	0.150
31 January 2020	0.134
28 February 2020	0.137
31 March 2020	0.132
29 April 2020	0.140
29 May 2020	0.140
30 June 2020	0.127
31 July 2020	0.114
31 August 2020	0.109
24 September 2020 (being the Extension Last Trading Day)	0.120
30 September 2020	0.181
4 November 2020 (being the Latest Practicable Date)	0.182

4. DISCLOSURE OF INTERESTS

(a) Directors' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

None of the Directors had any interest, direct or indirect, in any assets which have been since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

None of the Directors was materially interested in any contract or arrangement subsisting as at the date thereof and which was significant in relation to the business of the Group as at the Latest Practicable Date.

(b) Substantial Shareholders' Interests in Share and Underlying Shares

As at the Latest Practicable Date, so far as is known to any Directors or chief executives of the Company, the persons (other than a Director or chief executives of the Company); (a) who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (b) who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group, were as follows:

Name of Shareholders	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
The Bondholder	Beneficial owner (Note 2)	8,308,269,029 (L) (Note 3)	93.27
Modern Agricultural Holdings	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
PRC LLP	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
GP	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
Nongtou	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
Jilin SASAC	Interest of a controlled corporation (Note 2)	8,308,269,029 (L) (Note 3)	93.27
HK Bloom	Beneficial owner	2,508,407,357(L)	28.16

Name of Shareholders	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of the Company's issued share capital
Li Zhenghao	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16
Sun Zhen	Interest of a controlled corporation (Note 4)	2,508,407,357 (L)	28.16

Notes:

1. The letter "L" denotes the Shareholders' long position in the Shares.
2. The entire issued share capital of the Bondholder is held by Modern Agricultural Holdings which is in turn wholly-owned by PRC LLP. The sole general partner of PRC LLP is GP. As at the date of this circular, the investment capital of PRC LLP is owned as to 60% by Nongtou, which is in turn controlled by Jilin SASAC, as to 26.7% by Yinhua Capital and as to 13.3% by Changchun Investment Fund. Accordingly, each of the Bondholder, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by the Bondholder in the Company under the SFO.
3. These interest represents 3,135,509,196 Shares and convertible bonds which may be converted into 5,172,759,833 Shares based on the adjusted conversion price of HK\$0.21 per Share upon full conversion.
4. Mr. Li Zhenghao and Ms. Sun Zhen are deemed to be interested in 28.16% of interest in the Company through their interest in 2,508,407,357 Shares as interest in controlled corporation, namely, HK Bloom.

Save as disclosed herein, there was no person known to any Directors or chief executives of the Company, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other member of the Group.

5. ADDITIONAL DISCLOSURE OF INTERESTS

- (1) As at the Latest Practicable Date, none of the Directors had any interest in the Share or any convertible securities, warrants, options and derivatives in respect of Shares or other securities of the Company carrying voting rights.

- (2) As at the Latest Practicable Date, there was no agreement, arrangement or understanding pursuant to which the Convertible Bonds and/or the Conversion Shares will be transferred, charged or pledged into any other persons.
- (3) As at the Latest Practicable Date, the Bondholder and any parties acting in concert with it had not borrowed or lent any Shares or any convertible securities, warrants, options and derivatives in respect thereof.
- (4) The Bondholder and any parties acting in concert with it had not dealt for value in any Shares or any convertible securities, warrants, options and derivatives in respect thereof during the Relevant Period.
- (5) As at the Latest Practicable Date, no agreement, arrangement or understanding (including any compensation arrangement) existed between the Bondholder and any parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscription Agreement, Supplemental Agreement and the Whitewash Waiver.
- (6) As at the Latest Practicable Date, the Company and the Directors did not hold and had not dealt for value in any Relevant Securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Bondholder and in the Company.
- (7) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or any subsidiary of the Company, or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options and derivatives in respect thereof.
- (8) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (9) As at the Latest Practicable Date, no fund which was managed on a discretionary basis by fund managers connected with the Company had any interest in any Shares or any convertible securities, warrants, options and derivatives in respect thereof.

- (10) As at the Latest Practicable Date, save as disclosed in the paragraph headed “EGM” in the letter from the Board in this circular, no person will be required to abstain from voting on the resolutions approving the Transactions at the EGM. In addition, no person, including the Directors, had irrevocably committed themselves to vote in favour of or against the resolutions approving the Supplemental Agreement and the transaction contemplated thereunder and the Whitewash Waiver at the EGM.
- (11) As at the Latest Practicable Date, the Company and the Directors had not borrowed or lent any Shares or any convertible securities, warrants, options and derivatives in respect thereof.
- (12) None of the Directors had dealt for value in any Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives in respect of the Shares or other securities of the Company carrying voting rights, or the equity share capital or any convertible securities, warrants, options or derivatives in respect of the equity share capital of the Bondholder during the Relevant Period.
- (13) As at the Latest Practicable Date, no benefit has been or would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription Agreement, the Supplemental Agreement and the Whitewash Waiver (other than statutory compensation).
- (14) As at the Latest Practicable Date, no agreement or arrangement existed between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement, the Supplemental Agreement and the Whitewash Waiver or otherwise connected therewith.
- (15) As at the Latest Practicable Date, no material contract had been entered into by the Bondholder and any person acting in concert with it in which any Director has a material personal interest.

6. DIRECTORS’ SERVICE CONTRACTS

Mr. Gao, a non-executive Director, and Ms. Dong, an independent non-executive Director, have each entered into an appointment letter with the Company for an initial term of two years commencing on 30 June 2020. Their appointment letters shall be renewable automatically for successive terms of one year unless terminated by not less than three months’ written notice served by either party at any time

during the then existing term. Under the appointment letters, Mr. Gao is not entitled to any director's fee, salary or any management bonus; and Ms. Dong shall be paid an annual director's fee of RMB114,000, and no variable remuneration (such as commission on profits) is payable by the Group to Ms. Dong.

Save as disclosed above, as at the Latest Practicable Date, Mr. Gao and Ms. Dong had not entered into other appointment letters with the Group, and no earlier service contracts or appointment letters have been replaced or amended and none of the Directors had entered into any service contract and appointment with the Company or any of its subsidiaries or associated companies which:

- (a) (including continuous and fixed term contracts) have been entered into or amended within the Relevant Period;
- (b) are continuous contracts with a notice period of 12 months or more;
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (d) are not determinable by any member of the Group within one year without payment of compensation (other than statutory compensation).

7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding 25 September 2020, being the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) a capital increase agreement dated 2 January 2019 entered into between the Group and an investor who is an independent third party, 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*), a member of the Group;

- (b) a subscription agreement dated 19 July 2019 entered into between the Company and HK Bloom, pursuant to which HK Bloom 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 at the subscription price of HK\$0.10 per subscription Share;
- (c) a subscription agreement dated 27 September 2019 entered into between the Company and HK Bloom, pursuant to which HK Bloom has conditionally agreed to further 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;
- (d) a land and property resumption agreement dated 9 October 2019 entered into between 長春金寶特生物化工有限公司 (Changchun GBT Bio-Chemical Co., Ltd.*) (“**Changchun JBT**”), a wholly-owned subsidiary of the Company and 長春市綠園區房屋徵收工作管理辦公室 (Changchun City Green Park Housing Requisition Work Management Office*) (“**Changchun Housing Requisition Office**”), a governmental body set up by 長春市綠園區人民政府 (Changchun City Luyuan District People’s Government*), in relation to the resumption of the properties of Changchun JBT at the compensation of approximately RMB58.96 million (equivalent to approximately HK\$67.0 million);
- (e) a supplemental agreement dated 31 December 2019 entered into between Changchun JBT and the Changchun Housing Requisition Office to extend the date by which Changchun JBT should surrender the property to the Changchun Housing Requisition Office pursuant to the land and property contract disclosed in item (d) above;
- (f) a second supplemental agreement dated 29 April 2020 entered into between Changchun JBT and Changchun Housing Requisition Office to further extend the date by which Changchun JBT should surrender the property to Changchun Housing Requisition Office pursuant to the supplemental agreement disclosed in item (e) above; and
- (g) the Supplemental Agreement.

9. MATERIAL ADVERSE CHANGE

Saved as disclosed in the paragraph headed “5. Material Change” in the section headed “Appendix I – Financial Information of the Group” above, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

10. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group which would otherwise be required to be disclosed under Rule 8.10 of the Listing Rules if any of such Directors or his or her associates was a controlling Shareholder.

11. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Octal Capital	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders
Roma Appraisals Limited (“ Roma ”)	Independent property valuer

Each of Octal Capital and Roma had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, its letter, reports and/or summary of its opinion (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither Octal Capital nor Roma were beneficially interested in any share capital of any member of the Group or have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; or have any direct or indirect interest in any assets which since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or lease to, or were proposed to be acquired or disposed of by, or leased to any member of the Group.

12. OTHER INFORMATION

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KYI-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is at Suites 2202-4, 22nd Floor, Tower 6, the Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (b) The registered office of the Bondholder is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (c) The principal parties acting in concert with the Bondholder are Modern Agricultural Holdings, GP, Nongtou, Mr. Yuan Weisen, Mr. Zhang Zihua, Mr. Li Yan, Ms. Liu Min, Mr. Su Xun, Ms. Jiang Wenyue, Mr. Zhang Xuehua, Mr. Wang Zhiming, Mr. Zhang Yanhui, Mr. Sun Dapeng and Mr. Yang Zhigang.
- (d) The Bondholder is directly wholly-owned by Modern Agricultural Industry Investment Holdings which is an investment holding company directly wholly-owned by PRC LLP, which is an agricultural fund established in the PRC whose sole general partner is GP, a wholly-owned subsidiary of Nongtou, which is in turn controlled by Jilin SASAC. As at the Latest Practicable Date, the investment capital of PRC LLP is owned as to 60% by Nongtou, 26.7% by Yinhua Capital and as to 13.3% by Changchun Investment Fund.
- (e) The sole director of the Bondholder is Mr. Zhang Zihua.
- (f) The sole director of Modern Agricultural Holdings is Mr. Zhang Zihua.
- (g) The directors of GP are Mr. Zhang Zihua, Mr. Li Yan, Ms. Liu Min, Mr. Su Xun and Ms. Jiang Wenyue.
- (h) The ultimate controlling shareholder of Nongtou is Jilin SASAC and the directors of Nongtou are Mr. Yuan Weisen, Mr. Zhang Xuehua, Mr. Wang Zhiming, Mr. Zhang Yanhui, Mr. Sun Dapeng and Mr. Yang Zhigang.

- (i) The registered office of Modern Agricultural Industry Investment Holdings is at Suites 2202-04, 22/F, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (j) The registered office of PRC LLP is at No. 2408, 24th Floor, Building A4, Changchun Mingyu Financial Plaza, No. 3777 Ecological Street, Jingyue Development Zone, Changchun, Jilin Province, the PRC.
- (k) The registered office of GP is at No. 2408, 24th Floor, Building A4, Changchun Mingyu Financial Plaza, No. 3777 Ecological Street, Jingyue Development Zone, Changchun, Jilin Province, the PRC.
- (l) The registered office of Nongtou is at 23rd Floor, Building A4, Changchun Mingyu Financial Plaza, No. 3777 Ecological Street, Jingyue High-tech Zone, Changchun City, Jilin Province, the PRC.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to and including the date of the EGM at (i) the head office and principal place of business of the Company in Hong Kong at Suites 2202-4, 22nd Floor, Tower 6, the Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong at www.sfc.hk; and (iii) on the website of the Company at www.globalbiochem.com:

- (a) the memorandum and articles of association of the Company valid as at the Latest Practicable Date;
- (b) the memorandum and articles of association of the Bondholder valid as at the Latest Practicable Date;
- (c) the annual report of the Company for the year ended 31 December 2018;
- (d) the annual report of the Company for the year ended 31 December 2019;

- (e) the interim report of the Company for the six months ended 30 June 2020;
- (f) the letter from the Board, the text of which is set out on pages 6 to 36 of this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 37 to 38 of this circular;
- (h) the letter from the Independent Financial Adviser, the text of which is set out on pages 39 to 68 of this circular;
- (i) the material contracts referred to under the paragraph headed “8. Material Contracts” in this Appendix III;
- (j) the written consents from Octal Capital and Roma as referred to in the paragraph headed “11. Qualifications and Consents of Experts” in this Appendix III;
- (k) the Subscription Agreement;
- (l) the Announcement;
- (m) this Circular;
- (n) the appointment letters of each of Mr. Gao and Ms. Dong referred to under the paragraph headed “6. Directors’ Service Contracts” in this Appendix III; and
- (o) the property valuation report from Roma in respect of the valuation of properties held by the Group, the text of which is set out on pages 214 to 252 of this circular.

14. GENERAL

- (a) The English text of this circular shall prevail over its Chinese text.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

The following is the text of a letter, and valuation certificate, prepared for the purpose of incorporation in this circular from Roma Appraisals Limited, an independent property valuer, in connection with its valuation as at 31 December 2019 of all properties interests of the Group.



22/F, China Overseas Building
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

6 November 2020

Global Bio-chem Technology Group Company Limited

Suites 2202-4, 22nd floor
Tower 6, The Gateway
9 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Dear Sir/Madam,

Re: Valuations of Various Properties located in the People's Republic of China

In accordance with your instructions for us to value the properties held by Global Bio-chem Technology Group Company Limited (the “**Company**”) and/or its subsidiaries (together with the Company referred to as the “**Group**”) in the People's Republic of China (the “**PRC**”). Due to the outbreak of Coronavirus Disease (COVID-19) and the relevant travelling restrictions, we are unable to conduct physical inspections of the property. As agreed with the Group, we have conducted our valuation on desktop basis and have confirmed with the Group that there have been no material changes to the physical attributes or the surrounding environment of the properties or the condition of the properties or the nature of the interest being valued in between 31 December 2019 and 31 August 2020. We have also made reference to recent photos of the properties provided by the Group and have made relevant enquiries and obtained such further information as we consider necessary for the purpose of the assignment. We have performed property valuation as at 31 December 2019 for the purpose of the financial report of the Company as at 31 December 2019. We have confirmed that there is no material change to the market values of the properties as at 31 August 2020 from the valuation date as at 31 December 2019.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

For property item Nos. 3 and 4, we have valued the properties by the direct comparison approach assuming sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales or asking transactions as available in the relevant market.

For the rest of properties in the PRC, due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of their depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“**DRC**”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, DRC approach may be used as a substitute for the market value of specialized property, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

3. TITLE INVESTIGATION

For the property in the PRC, we have been provided with copies of extracts of various title documents relating to the property. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group's PRC legal advisor, Guangdong Jian Da Law Firm regarding the title of the property in the PRC. All documents have been used for reference only.

In valuing the property, we have relied on the advice given by the Group and its PRC legal advisor that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

6. VALUATION CONSIDERATION

No structural survey has been made in respect of the properties. We are therefore unable to report whether the property is free from rot, infestation or any other defects. No tests were carried out on any of the services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 on Asset Valuations of the Code on Takeovers and Mergers issued by the Securities and Futures Commission Hong Kong and in accordance with the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and advised by the Group, the potential tax liabilities which would arise on the disposal of the property interests held by the Group in the PRC, for the amount of market value minus the cost of purchase, comprise value added tax on the consideration at a rate of 9% (plus a surcharge), Chinese land appreciation tax (ranging from 30% to 60% of the appreciated amount), Chinese corporate income tax and Chinese stamp duty (0.05% of the consideration stated in sales contract). The exact amount of the tax payable upon realization of the relevant properties will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal by presenting the relevant transaction documents. Further, as advised by the Company, the likelihood of the potential tax liability being crystallized is immaterial as the property interests held by the Group in the PRC are mainly for own use.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (RMB).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,

For and on behalf of

Roma Appraisals Limited

Frank F. Wong

BA (Business Admin in Acct/Econ) MSc (Real Est)

MRICS Registered Valuer MAusIMM ACIPHE

Director

Note: Mr. Frank F. Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering with over 21 years of valuation, transaction advisory and project consultancy experience of properties in Hong Kong and 13 years of experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, Thailand, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE), Ukraine and Jordan.

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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SUMMARY OF VALUES

Property held and occupied by Group in the PRC

No.	Property	Market Value in Existing State as at 31 December 2019
1.	Dacheng Industrial plant located at Yangjia Village Fengjin Xiang Luyuan District Changchun City Jilin Province the PRC	RMB14,000,000
2.	Various buildings of Dacheng Industrial plant located at Yangjia Village Fengjin Xiang Luyuan District Changchun City Jilin Province the PRC	RMB109,600,000
3.	A residential unit located at No. 12 Kaiyun Street Chaoyang District Changchun City Jilin Province the PRC	RMB1,100,000
4.	A laboratory center located at No. 528 Ruiqing Road Pudong New District Shanghai the PRC	RMB18,100,000

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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No.	Property	Market Value in Existing State as at 31 December 2019
5.	A parcel of land located at No. 28 Xihuan Road Luyuan District Changchun City Jilin Province the PRC	RMB2,800,000
6.	A parcel of land located at No.28 Xihuan Road Luyuan District Changchun City Jilin Province the PRC	RMB8,100,000
7.	Harbin Dacheng plant located at Binxi Economical Development District Harbin City Heilongjiang Province the PRC	RMB190,400,000
8.	Changchun Baocheng plant located at No. 28 Xihuan Road Luyuan District Changchun City Jilin Province the PRC	RMB243,000,000

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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No.	Property	Market Value in Existing State as at 31 December 2019
9.	Modified Starch plant located at Chejia Village Cheng Xi Xiang Luyuan District Changchun City Jilin Province the PRC	RMB20,900,000
10.	Dahe Bio Tech plant located at Yaojia Village Cai Yuan Zi Town Dehui City Jilin Province the PRC	RMB1,352,500,000
11.	Dacheng Songyuan plant located at No. 148 Xincheng Dong Road Ningjiang District Songyuan City Jilin Province the PRC	RMB38,850,000
12.	GBT Biochemical plant located at Xinglongshan Town Changchun City Jilin Province the PRC	no commercial value
13.	Dacheng Bio-Tech plant located at Xinglongshan Town Changchun City Jilin Province the PRC	RMB1,327,500,000

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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No.	Property	Market Value in Existing State as at 31 December 2019
14.	Changchun Hongcheng plant located at Changchun Economic Technology District Changchun City Jilin Province the PRC	RMB20,150,000
15.	Longjiang GSH plant located at Miaopu Road Longjiang Town Longjiang County, Qiqihaer Heilongjiang Province the PRC	RMB3,800,000
16.	Jinzhou Yuancheng plant located at No. 9, Section 1 Xinhai Road Jinzhou Economic and Technical Development Zone Jinzhou City Liaoning Province the PRC	RMB224,600,000
17.	Six residential buildings located at the north of Xinhai Road Jinzhou Economic and Technical Development Zone Jinzhou City Liaoning Province the PRC	RMB15,500,000
18.	Jinzhou Dacheng plant located at No. 9, Section 1 Xinhai Road Jinzhou Economic and Technical Development Zone Jinzhou City Liaoning Province the PRC	RMB1,000,000

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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No.	Property	Market Value in Existing State as at 31 December 2019
19.	Shanghai Haocheng plant located at No. 2017-1 Jiangchuan Road Minhang District Shanghai the PRC	RMB66,900,000
20.	Dihao Foodstuff plant located at Nos. 886 and 1588 Xi Huan Road Luyuan District Changchun City Jilin Province the PRC	RMB249,500,000
21.	Dihao Crystal Sugar plant located at No. 28 Xi Huan Road Luyuan District Changchun City Jilin Province the PRC	RMB23,500,000
		<hr style="width: 20%; margin-left: auto;"/> Total: <u><u>RMB3,931,800,000</u></u>

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

Property held and occupied by the Group in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
1.	Dacheng Industrial plant located at Yangjia Village Fengjin Xiang Luyuan District Changchun City Jilin Province the PRC	The property comprises a parcel of land with a site area of approximately 49,441 sq.m. The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial use.	The property was occupied by the Group for industrial use.	RMB14,000,000.

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Chang Guo Yong (2005) Zi Di No.060003469, issued by the People's Government of Changchun on 30 May 2005, the land use rights of the property with a site area of approximately 49,441 sq.m. have been granted to Changchun Dacheng Industrial Group Co., Ltd. (長春大成實業集團有限公司) ("Dacheng Industrial"), is a wholly-owned subsidiary of the Company, for a term expiring on 20 October 2039 for industrial use.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Dacheng Industrial is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. All land premium and other costs of ancillary utility services have been settled in full; and
 - c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
2.	Various buildings of Dacheng Industrial plant located at Yangjia Village Fengjin Xiang Luyuan District Changchun City Jilin Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 382,166 sq.m., with various buildings and various structures erected thereon which were completed between 2005 and 2012.</p> <p>The property has a total gross floor area (“GFA”) of about 83,934.03 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial use.</p>	The property was occupied by the Group for dormitory use.	RMB109,600,000.

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Chang Guo Yong (2005) Zi Di No.060003467, issued by the People’s Government of Changchun on 30 May 2005, the land use rights of the property with a site area of approximately 382,166 sq.m. have been granted to Dacheng Industrial, is a wholly-owned subsidiary of the Company, for a term expiring on 20 October 2039 for industrial use.
2. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 83,934.03 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB192,000,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Dacheng Industrial is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value
				in Existing State as at 31 December 2019
3.	A residential unit located at No.12 Kaiyun Street Chaoyang District Changchun City Jilin Province the PRC	<p>The property comprises a residential unit of a 11-storey residential building which was completed in 2011.</p> <p>The property has a GFA of about 122.57 sq.m.</p>	The property was occupied by the Group for residential use.	RMB1,100,000.

Notes:

1. Pursuant to a Building Ownership Certificate, Fang Quan Zheng Chang Fang Quan Zi Di No.1060140861, issued by Changchun Administration Bureau on 9 September 2011, the ownership of the property with a gross floor area of 122.57 sq.m. is held by Dacheng Industrial, is a wholly-owned subsidiary of the Company.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Dacheng Industrial is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. All land premium and other costs of ancillary utility services have been settled in full; and
 - c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
4.	A laboratory center located at No.528 Ruiqing Road Pudong New District Shanghai the PRC	<p>The property comprises a 4-storey laboratory building completed in about 2007 and was erected on a parcel of land with a site area of approximately 73,969 sq.m.</p> <p>The property has a total GFA of approximately 1,812.89 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 21 September 2054 for industrial use.</p>	The property was occupied by the Group for industrial use.	RMB18,100,000.

Notes:

1. Pursuant to 4 Shanghai Certificate of Real Estate Ownership issued by Shanghai Municipal Housing, Land & Resources Administration Bureau, the ownership of the property with a total gross floor area of approximately 1,812.89 sq.m. have been granted to Dacheng Industrial, is a wholly-owned subsidiary of the Company, for a term expiring on 21 September 2054 for industrial use.

Real Estate Title Certificate	Issue Date	GFA (sq.m.)
Hu Fang Di Pu Zi (2014) Di No.053333	4 August 2014	525.26
Hu Fang Di Pu Zi (2014) Di No.057147	19 August 2014	451.58
Hu Fang Di Pu Zi (2014) Di No.057148	19 August 2014	476.08
Hu Fang Di Pu Zi (2014) Di No.058893	27 August 2014	359.97
Total		1,812.89

2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Dacheng Industrial is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. All land premium and other costs of ancillary utility services have been settled in full; and
 - c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value
				in Existing State as at 31 December 2019
5.	A parcel of land located at No.28 Xihuan Road Luyuan District Changchun City Jilin Province the PRC	The property comprises a parcel of land with a site area of approximately 9,915 sq.m. The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial use.	The property was occupied by the Group for temporary storage use	RMB2,800,000.

Notes:

1. Pursuant to a State-owned Land Use Right Certificate, Chang Guo Yong (2005) Zi Di No.060003159 issued by the People's Government of Changchun on 19 May 2005, the land use rights of the property with a site area of 9,915 sq.m. have been granted to Dacheng Industrial, is a wholly-owned subsidiary of the Company, for a term expiring on 20 October 2039 for industrial use.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Dacheng Industrial is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. All land premium and other costs of ancillary utility services have been settled in full; and
 - c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value
				in Existing State as at 31 December 2019
6.	A parcel of land located at No.28 Xihuan Road Luyuan District Changchun City Jilin Province the PRC	The property comprises a parcel of land with a site area of approximately 28,640 sq.m. The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial use.	The property was occupied by the Group for temporary storage use	RMB8,100,000.

Notes:

1. Pursuant to a State-owned Land Use Right Certificate, Chang Guo Yong (2005) Zi Di No.060003468 issued by the People's Government of Changchun on 30 May 2005, the land use rights of the property with a site area of 28,640 sq.m. have been granted to Dacheng Industrial, is a wholly-owned subsidiary of the Company, for a term expiring on 20 October 2039 for industrial use.
2. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Dacheng Industrial is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. All land premium and other costs of ancillary utility services have been settled in full; and
 - c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities;

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
7.	Harbin Dacheng plant located at Binxi Economical Development District Harbin City Heilongjiang Province the PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 485,826.61 sq.m., with various buildings and structures erected thereon which were completed between 2011 and 2013.</p> <p>The property has a total GFA of about 67,871.07 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 8 October 2060 and 2 August 2061 for industrial uses.</p>	The property was occupied by the Group for industrial use.	RMB190,400,000.

Notes:

1. Pursuant to 3 Stated-owned Land Use Rights Certificate, Bin Guo Yong (2010) Zi Di No.03040001, Bin Guo Yong (2014) Zi Di No.0304028 and Hei (2018) Bin Xian real estate right Di No.0002993, issued by the People's Government of Bin County, the land use rights of the property with a total site area of approximately 485,826.61 sq.m. have been granted to Harbin Dacheng Bio-Technology Co., Ltd. (哈爾濱大成生物科技有限公司) ("**Harbin Dacheng**"), is a wholly-owned subsidiary of the Company, for terms expiring on 8 October 2060 and 2 August 2061 for industrial uses.
2. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 67,871.07 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB116,300,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Harbin Dacheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities;

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
8.	Changchun Baocheng plant located at No.28 Xihuan Road Luyuan District Changchun City Jilin Province the PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 271,842 sq.m., with various buildings and structures erected thereon which were completed between 1999 and 2017.</p> <p>The property has a total GFA of about 188,408.86 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 20 October 2039 and 13 August 2047 for industrial uses.</p>	The property was occupied by the Group for industrial use.	RMB243,000,000.

Notes:

1. Pursuant to 2 Stated-owned Land Use Rights Certificate, Chang Guo Yong (2014) Zi Di Nos.060024505 and 060024506, issued by the People's Government of Changchun on 10 December 2014, the land use rights of the property with a site area of approximately 200,742 sq.m. and 71,100 sq.m. have been granted to Changchun Baocheng Bio-Chem Development Co., Ltd. (長春寶成生化發展有限公司) ("**Changchun Baocheng**"), is a wholly-owned subsidiary of the Company, for terms expiring on 13 August 2047 and 20 October 2039 respectively for industrial uses.
2. Pursuant to 32 Building Ownership Certificates, Fang Quan Zheng Chang Fang Quan Zi Di Nos.5120003629 to 5120003660, the building ownership of the property with a total gross floor area of 95,593.50 sq.m. is held by Changchun Baocheng.
3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 92,815.36 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB104,200,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. As advised by the Group, the land use rights of portion of the property with a site area of approximately 200,742 sq.m. is subject to a seizure. We have attributed no commercial value to the parcel of land.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Changchun Baocheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
9.	Modified Starch plant located at Chejia Village Cheng Xi Xiang Luyuan District Changchun City Jilin Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 13,820 sq.m., with industrial buildings and structures erected thereon which were completed between 2003 and 2013.</p> <p>The property has a total GFA of about 16,743.84 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 20 October 2039 for industrial use.</p>	The property was occupied by the Group for industrial use.	RMB20,900,000.

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Chang Guo Yong (2007) Zi Di No060007943, issued by the People's Government of Changchun on 15 August 2007, the land use rights of the property with a total site area of approximately 13,820 sq.m. have been granted to Changchun Dacheng Special Corn & Modified Starch Development Co., Ltd. (長春大成特用玉米變性澱粉開發有限公司) ("**Modified Starch**"), is a wholly-owned subsidiary of the Company, for a term expiring on 20 October 2039 for industrial use.
2. Pursuant to Building Ownership Certificates Ji (2019) Changchun City Bu Dong Chan Quan Zi Di Nos. 0926763 and 0926759, the building ownership of the property with a total gross floor area of 11,997.95 sq.m. is held by Changchun Dihao Foodstuff Development Co., Ltd. (長春帝豪食品發展有限公司) ("**Dihao Foodstuff**").
3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 4,745.89 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB3,500,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Modified Starch is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
10.	Dahe Bio Tech plant located at Yaojia Village Cai Yuan Zi Town Dehui City Jilin Province the PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 837,721 sq.m., with various buildings and structures erected thereon which were completed between 2004 and 2013.</p> <p>The property has a total GFA of about 454,654.34 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 10 January 2054 for industrial use.</p>	The property was occupied by the Group for industrial use.	RMB1,352,500,000.

Notes:

- Pursuant to a Real Estate Title Certificate, Ji (2019) De Hui Shi Bu Dong Chan Quan Di No.0015142, issued by the Land and Resources Bureau of Dehui on 11 June 2019, the land use rights of the property with a site area of approximately 256,000 sq.m. and a GFA of 117,234.17 sq.m. have been granted to Changchun Dahe Bio Technology Development Co., Ltd. (長春大合生物技術開發有限公司) (“**Dahe Bio Tech**”), is a wholly-owned subsidiary of the Company, for a term expiring on 10 January 2054 for industrial use.
- Pursuant to a Real Estate Title Certificate, Ji (2018) De Hui Shi Bu Dong Chan Quan Di No.0004253, issued by the Land and Resources Bureau of Dehui on 16 August 2018, the land use rights of the property with a site area of approximately 285,201 sq.m. and a GFA of 60,015.34 sq.m. have been granted to Dahe Bio Tech for a term expiring on 10 January 2054 for industrial use.
- Pursuant to a Real Estate Title Certificate, Ji (2018) De Hui Shi Bu Dong Chan Quan Di No.0004254, issued by the Land and Resources Bureau of Dehui on 16 August 2018, the land use rights of the property with a site area of approximately 296,520 sq.m. and a GFA of 84,755.47 sq.m. have been granted to Dahe Bio Tech for a term expiring on 10 January 2054 for industrial use.
- In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 192,649.36 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB358,900,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.

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5. As at the date of valuation, there were buildings under construction (the “CIP”) erected upon the land of the property. We are of the opinion that the depreciated replacement costs of the CIP (excluding the land of the property) on the assumptions that the relevant title documents have been obtained and the CIP can be freely transferred together with the land of the property in the estimated value would be in the sum of RMB83,700,000 and the estimated total cost (including carrying charges) of completing construction was about RMB223,603,000. However, as advised by the Group, such construction is at a preliminary stage. As such, it is not possible to include the following in this valuation certificate:
- the value after the development has been completed;
 - the anticipated dates of completion and of letting or occupation; and
 - a statement whether planning or other regulatory consent has been obtained.
6. Pursuant to the Mortgage Contracts of Maximum Amounts, the properties are subject to a mortgage in favor of Agricultural Bank of China Limited (中國農業銀行股份有限公司), as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB400,000,000 with the expiration date of 9 June 2021.
7. Pursuant to the Mortgage Contracts of Maximum Amounts, the properties are subject to a mortgage in favor of Bank of China Limited Weifeng Branch (中國銀行股份有限公司偉峰支行) and the mortgage is transferred to Jilin Branch of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司吉林省分公司), as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB1,088,500,000 with the expiration date of 23 August 2019.
8. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, *inter alia*, the following information:
- Dahe Bio Tech is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - There is no legal impediment in application of the title certificate;
 - All land premium and other costs of ancillary utility services have been settled in full; and
 - The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value
				in Existing State as at 31 December 2019
11.	Dacheng Songyuan plant located at No.148 Xincheng Dong Road Ningjiang District Songyuan City Jilin Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 50,788.80 sq.m., with 12 single to 5-storey buildings and other ancillary facilities erected thereon which were completed between 1997 and 2008.</p> <p>The property has a total GFA of about 17,045.79 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 20 November 2054 for industrial use.</p>	The property was occupied by the Group for industrial use.	RMB38,850,000.

Notes:

- Pursuant to a State-owned Land Use Right Certificate, Song Guo Yong (2005) Di No.070001542 issued by the People's Government of Songyuan dated 29 December 2005, the land use rights of the lands with a total site area of 50,788.80 sq.m. have been granted to Dacheng Bio-Chem Technology (Songyuan) Co., Ltd. (大成生物科技(松原)有限公司) ("Dacheng Songyuan"), is a wholly-owned subsidiary of the Company, for a term expiring on 20 November 2054 for industrial use.
- Pursuant to 11 Building Ownership Certificates issued by Songyuan Building Administration Bureau dated on 29 December 2005, the building ownership of the property with a total gross floor area of 16,265.79 sq.m. is held by Dacheng Songyuan. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Ji Fang Quan Zheng Song Zi Di No.SB032278	2,991.96
2	Ji Fang Quan Zheng Song Zi Di No.SB032279	2,789.41
3	Ji Fang Quan Zheng Song Zi Di No.SB032280	6,811.45
4	Ji Fang Quan Zheng Song Zi Di No.SB032281	200.63
5	Ji Fang Quan Zheng Song Zi Di No.SB032282	956.74
6	Ji Fang Quan Zheng Song Zi Di No.SB032283	358.75
7	Ji Fang Quan Zheng Song Zi Di No.SB032284	410.00
8	Ji Fang Quan Zheng Song Zi Di No.SB032285	252.00
9	Ji Fang Quan Zheng Song Zi Di No.SB032286	160.00
10	Ji Fang Quan Zheng Song Zi Di No.SB032287	97.35
11	Ji Fang Quan Zheng Song Zi Di No.SB032288	1,237.50
Total		16,265.79

3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 780 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB1,550,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Dacheng Songyuan is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities;

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
12.	GBT Biochemical plant located at Xinglongshan Town Changchun City Jilin Province the PRC	<p>The property is an industrial complex comprising various buildings of reinforced frame structure construction and other ancillary facilities completed in 2012.</p> <p>The property has a total GFA of about 41,081.78 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 16 October 2051 and 18 August 2053 for industrial uses.</p>	The property was occupied by the Group for industrial use.	no commercial value

Notes:

1. The buildings with a total gross floor area of approximately 41,081.78 sq.m. have no Real Estate Title Certificate. As advised by the Company, Changchun GBT Bio-Chemical Co., Ltd. (長春金寶特生物化工有限公司) (“**GBT Biochemical**”), is a wholly-owned subsidiary of the Company, is in the process of applying for the certificates.
2. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 41,081.78 sq.m. which has not obtained any proper title certificate. However, for reference propose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation could be RMB154,000,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
3. As advised by the Group, we assigned the market value to the buildings of the property as the land use rights of the property are held by Changchun Dacheng Bio-tech Development Co., Ltd (長春大成生物科技開發有限公司) (“**Dacheng Bio-Tech**”).
4. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, *inter alia*, the following information:
 - a. GBT Biochemical is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities;

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
13.	Dacheng Bio-Tech plant located at Xinglongshan Town Changchun City Jilin Province the PRC	<p>The property comprises a parcel of land with a total site area of approximately 915,924.91 sq.m., with various buildings and structures erected thereon which were completed between 2010 and 2018.</p> <p>The property has a total GFA of about 203,457.28 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 21 February 2055, 26 April 2067 and 30 March 2067 for industrial use.</p>	The property was occupied by the Group for industrial use.	RMB1,327,500,000.

Notes:

- Pursuant to a State-owned Land Use Right Certificate, Chang Guo Yong (2010) Di No.071009051 issued by the People's Government of Changchun dated 22 March 2010, the land use rights of the lands with a total site area of 850,067.00 sq.m. have been granted to Dacheng Bio-Tech, is a wholly-owned subsidiary of the Company, for a term expiring on 21 February 2055 for industrial use. As advised by the Company, part of the land with a site area of approximately 28,409.09 sq.m. has been injected to Changchun Wanxiang Corn Oil Co., Ltd (長春萬祥玉米油有限公司), is a joint venture of the Company, from Dacheng Bio-Tech.
- Pursuant to a State-owned Land Use Right Certificate, Ji (2017) Changchun City Bu Dong Chan Quan Di No.0217736 issued by the Changchun City Bureau of Land and Resources dated 9 October 2017, the land use rights of the lands with a total site area of 41,593.00 sq.m. have been granted to Dacheng Bio-Tech, for a term expiring on 26 April 2067 for industrial use.
- Pursuant to a State-owned Land Use Right Certificate, Ji (2017) Changchun City Bu Dong Chan Quan Di No.0123133 issued by the Changchun City Bureau of Land and Resources dated 23 June 2017, the land use rights of the lands with a total site area of 52,674.00 sq.m. have been granted to Dacheng Bio-Tech, for a term expiring on 30 March 2067 for industrial use.
- In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 203,457.28 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB702,300,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.

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5. As the date of valuation, there were CIP erected upon the land of the property. We are of the opinion that the depreciated replacement costs of the CIP (excluding the land of the property) on the assumptions that the relevant title documents have been obtained and the CIP can be freely transferred together with the land of the property in the estimated value would be in the sum of RMB228,900,000 and the estimated total cost (including carrying charges) of completing construction was about RMB1,065,900,000. However, as advised by the Group, such construction is at a preliminary stage. As such, it is not possible to include the following in this valuation certificate:
- a. the value after the development has been completed;
 - b. the anticipated dates of completion and of letting or occupation; and
 - c. a statement whether planning or other regulatory consent has been obtained.
6. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
- a. Dacheng Bio-Tech is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value
				in Existing State as at 31 December 2019
14.	Changchun Hongcheng plant located at Changchun Economic Technology District Changchun City Jilin Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 51,524 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 30 August 2068 for industrial use</p>	The property was occupied by the Group for industrial use.	RMB20,150,000.

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Ji (2018) Changchun City Bu Dong Chan Quan Di No.0343247, issued by the Changchun City Bureau For Real Estate Registration on 16 October 2018, the land use rights of the property with a site area of approximately 51,524 sq.m. have been granted to Changchun Hongcheng Biotechnology Development Co., Ltd. (長春鴻成生物化工材料技術開發有限公司) (“**Changchun Hongcheng**”), is a wholly-owned subsidiary of the Company, for a term expiring on 30 August 2068 for industrial use.
2. We have been provided with a legal opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Changchun Hongcheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. All land premium and other costs of ancillary utility services have been settled in full; and
 - c. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
15.	Longjiang GSH plant located at Miaopu Road Longjiang Town Longjiang County Qiqihaer Heilongjiang Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 39,026.30 sq.m., with 10 industrial buildings erected thereon which were completed between 2007 and 2011.</p> <p>The property has a total GFA of about 11,814.01 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 24 May 2037 for industrial use.</p>	The property was occupied by the Group for storage use.	RMB3,800,000.

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Long Jiang Xian Guo Yong (2011) Di No.1541, issued by the People's Government of Longjiang County dated 22 December 2011, the land use rights of the property with a site area of approximately 39,026.30 sq.m. have been granted to Longjiang GSH Grains Co., Ltd. (龍江大糖糧食有限公司) ("Longjiang GSH"), is a wholly-owned subsidiary of the Company, for a term expiring on 24 May 2037 for industrial use.
2. Pursuant to a Building Ownership Certificate, Long Fang Quan Zheng Zi Di No.QZ00022964, issued by the Building Administration Bureau of Longjiang County on 1 December 2011, the ownership of 2 buildings of the property with a total gross area of approximately 1,115.7 sq.m. have been granted to Longjiang GSH for office and storage uses.
3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 10,698.31 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB6,900,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Longjiang GSH is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value
				in Existing State as at 31 December 2019
16.	Jinzhou Yuancheng plant located at No.9 Section 1 Xinhai Road Jinzhou Economic and Technical Development Zone Jinzhou City Liaoning Province the PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 407,385.10 sq.m., with various buildings and structures erected thereon which were completed between 2004 and 2015.</p> <p>The property has a total GFA of about 107,696.06 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 29 December 2031, 31 August 2056 and 13 March 2058 for industrial uses.</p>	The property was occupied by the Group for industrial use.	RMB224,600,000.

Notes:

- Pursuant to 3 State-owned Land Use Rights Certificates issued by the People's Government of Jinzhou, the land use rights of the lands with a total site area of 407,385.10 sq.m. have been granted to Jinzhou Yuancheng Bio-Chem Technology Co., Ltd. (錦州元成生化科技有限公司) ("Jinzhou Yuancheng"), which is a wholly-owned subsidiary of the Company. Details are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Jin Zhou Guo Yong (2002) Ji Di No.000011	370,128.90	Industrial	29 December 2031
Jin Zhou Guo Yong (2014) Ji Di No.000037	12,085.00	Industrial	31 August 2056
Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001236	25,171.20	Industrial	13 March 2058
Total	407,385.10		

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

2. Pursuant to 41 Building Ownership Certificates issued by Jinzhou Economic and Technological Development Zone Management Committee and Jinzhou Bin Hai Xin Qu Management Committee the building ownership of the property with a total gross floor area of 94,268.36 sq.m. is held by Jinzhou Yuancheng. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001263	1,351.96
2	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001270	6,066.10
3	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001277	1,022.79
4	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001276	1,457.97
5	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001278	711.00
6	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001274	16,378.74
7	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001279	1,226.96
8	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001280	929.00
9	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001272	1,039.70
10	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001275	1,750.00
11	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001284	10,691.00
12	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001252	108.00
13	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001264	774.80
14	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001254	362.61
15	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001256	1,248.00
16	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001285	40.93
17	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001262	2,940.26
18	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001255	18.76
19	Fang Quan Zheng Jin Kai Zi Di No.016271	158.34
20	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001287	53.30
21	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001265	2,976.76
22	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001283	397.30
23	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001282	7,083.98
24	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001271	9,509.06
25	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001273	6,706.60
26	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001281	577.90
27	Fang Quan Zheng Jin Kai Zi Di No.016279	89.35
28	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001261	15.40
29	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001267	2,803.26
30	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001257	12,525.99
31	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001258	72.00
32	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001266	347.00
33	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001269	241.00
34	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001290	590.00
35	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001289	101.00
36	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001268	85.00
37	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001259	340.46
38	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001260	173.00
39	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001253	76.46
40	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001288	815.07
41	Liao (2020) Jin Zhou Bin Hai Xin Qu Bu Dong Chan Quan Di No.0001286	411.55
Total		94,268.36

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 13,427.70 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB20,600,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. Pursuant to the Mortgage Contracts of Maximum Amounts, the properties are subject to a mortgage in favor of Bank of Jinzhou Limited (錦州銀行股份有限公司), as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB375,700,000 with the expiration date of 20, 22 October 2020 and 24 August 2023.
5. Pursuant to the Mortgage Contracts of Maximum Amounts, the properties are subject to a mortgage in favor of Bank of China Limited (中國銀行股份有限公司), as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB36,200,000 with the expiration date of 13 December 2019.
6. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Jinzhou Yuancheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
17.	Six residential buildings located at the north of Xinhai Road Jinzhou Economic and Technical Development Zone Jinzhou City Liaoning Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 20,517 sq.m., with 6 residential buildings erected thereon which were completed in 2004.</p> <p>The property has a total GFA of about 27,053.89 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years expiring on 27 September 2072 for residential use.</p>	The property was occupied by the Group for dormitory use.	RMB15,500,000.

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Jin Zhou Guo Yong (2003) Zi Di No.000027, issued by the People's Government of Jinzhou, the land use rights of the property with a site area of approximately 20,517.00 sq.m. have been granted to Jinzhou Yuancheng, is a wholly-owned subsidiary of the Company, for a term expiring in 27 September 2072 for residential use.
2. Pursuant to Completion Construction Works Certified Report No.2006 Gui Yan 001 issued by Jinzhou City Construction Bureau dated 19 June 2006, the construction of the property with a total gross floor area of 26,164.22 sq.m. is in compliance with the planning requirements, and acceptance examination is passed.
3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 27,053.89 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB19,700,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Jinzhou Yuancheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
18.	Jinzhou Dacheng plant located at No.9, Section 1 Xinhai Road Jinzhou Economic and Technical Development Zone Jinzhou City Liaoning Province the PRC	<p>The property comprises a parcel of land with a site area of approximately 25,133.46 sq.m., with 10 industrial buildings erected thereon which were completed between 2009 and 2012. <i>(Note 2)</i></p> <p>The property has a total GFA of about 13,566.25 sq.m.</p> <p>The land use rights of the property have been granted for a term of 30 years expiring on 29 December 2031 for industrial use.</p>	The property was occupied by the Group for industrial use.	RMB1,000,000.

Notes:

1. Pursuant to a Stated-owned Land Use Rights Certificate, Jin Zhou Guo Yong (2002) Ji Di No.000011, issued by the People's Government of Jinzhou, the land use rights of the property with a site area of approximately 370,128.90 sq.m. have been granted to Jinzhou Yuancheng, is a wholly-owned subsidiary of the Company, for a term of 30 years expiring on 29 December 2031 for industrial use.
2. Pursuant to a lease agreement entered into between Jinzhou Dacheng and Jinzhou Yuancheng on 29 August 2008, Jinzhou Yuancheng agreed to lease a parcel of land with a site area of 37.7 mu (or about 25,133.46 sq.m.) to Jinzhou Dacheng for a term of 20 years expiring on 28 August 2027 at an annual rent of RMB226,201.
3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 13,566.25 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB18,100,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Jinzhou Dacheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

APPENDIX IV	PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP
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VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
19.	Shanghai Haocheng plant located at No. 2017-1 Jiangchuan Road Minhang District Shanghai the PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 30,890 sq.m., with various buildings and structures erected thereon which were completed between 2000 and 2011.</p> <p>The property has a total GFA of about 16,236.81 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 16 October 2051 and 18 August 2053 for industrial uses.</p>	The property was occupied by the Group for industrial use.	RMB66,900,000.

Notes:

- Pursuant to 2 Real Estate Title Certificates issued by Shanghai Municipal Housing, Land & Resources Administration Bureau, the land use rights of the property with a total site area of approximately 30,890 sq.m. and the ownership of the buildings with a total gross floor area of approximately 11,266.81 sq.m. are held by Shanghai Hao Cheng Food Development Co., Ltd. (上海好成食品發展有限公司) (“**Shanghai Haocheng**”), is a wholly-owned subsidiary of the Company, for terms expiring on 16 October 2051 and 18 August 2053 respectively for industrial uses. Details are as follows:

Real Estate Title Certificate	Site Area (sq.m.)	GFA (sq.m.)
Hu Fang Di Min Zi (2004) Di No.005758	14,790	6,917.98
Hu Fang Di Min Zi (2015) Di No.013477	16,100	4,348.83
Total	30,890	11,266.81

2. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 4,970 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB8,400,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
 - a. Shanghai Haocheng is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

**APPENDIX IV PROPERTY VALUATION REPORT ON THE
PROPERTY INTEREST HELD BY THE GROUP**

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
20.	Dihao Foodstuff plant located at Nos.886 and 1588 Xi Huan Road Luyuan District Changchun City Jilin Province the PRC	<p>The property comprises 3 parcels of land with a total site area of approximately 225,087 sq.m., with various buildings and structures erected thereon which were completed between 1999 and 2003.</p> <p>The property has a total GFA of about 64,817.34 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 20 October 2039 and 24 October 2039 for industrial uses.</p>	The property was occupied by the Group for industrial use.	RMB249,500,000.

Notes:

- Pursuant to 3 State-owned Land Use Rights Certificates issued by the People's Government of Changchun, the land use rights of the lands with a total site area of 225,087.00 sq.m. have been granted to Dihao Foodstuff, is a wholly-owned subsidiary of the Company. The details of which are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Chang Guo Yong (2007) Di No.060007941	12,675	Industrial	20 October 2039
Chang Guo Yong (2004) Di No.040001741	63,163	Industrial	24 October 2039
Chang Guo Yong (2015) Di No.060002098	149,249	Industrial	20 October 2039
Total	<u>225,087</u>		

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

2. Pursuant to 18 Building Ownership Certificates issued by Changchun City Real Estate Transaction and Ownership Registration Jingyang Service Center and Changchun City Planning and Natural Resource Bureau the building ownership of the property with a total gross floor area of 58,610.04 sq.m. is held by Dihao Foodstuff. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926761	840.29
2	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926760	1,043.30
3	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926762	1,504.00
4	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926751	2,059.06
5	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926755	1,272.64
6	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926754	1,584.67
7	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926756	2,067.85
8	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926757	937.95
9	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926758	18,177.71
10	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926753	1,044.14
11	Fang Quan Zheng Chang Fang Quan Zi Di No.201603160488	4,693.27
12	Fang Quan Zheng Chang Fang Quan Zi Di No.201603160490	4,642.83
13	Fang Quan Zheng Chang Fang Quan Zi Di No.201603160492	95.44
14	Fang Quan Zheng Chang Fang Quan Zi Di No.201603160493	890.23
15	Fang Quan Zheng Chang Fang Quan Zi Di No.201603160497	3,686.10
16	Fang Quan Zheng Chang Fang Quan Zi Di No.201603160501	2,072.61
17	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926763	1,235.26*
18	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926759	10,762.69*
Total:		58,610.04

* The 2 buildings which the certificates are Item Nos. 17 and 18 used by Modified Starch. The market value of these 2 buildings included in Modified Starch rather than Dihao Foodstuff.

3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 18,205.25 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB23,300,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. Pursuant to the Mortgage Contracts of Maximum Amounts, the properties are subject to a mortgage in favor of Agricultural Bank of China Limited (中國農業銀行股份有限公司), as security to guarantee the principal obligation under a series of contracts for a maximum amount of RMB180,000,000 with the expiration date of 17 June 2021.
5. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
- Dihao Foodstuff is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - There is no legal impediment in application of the title certificate;
 - All land premium and other costs of ancillary utility services have been settled in full; and
 - The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities;

**APPENDIX IV PROPERTY VALUATION REPORT ON THE
PROPERTY INTEREST HELD BY THE GROUP**

VALUATION CERTIFICATE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
21.	Dihao Crystal Sugar plant located at No. 28 Xi Huan Road Luyuan District Changchun City Jilin Province the PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 31,667 sq.m., with various buildings and structures erected thereon which were completed on 2005.</p> <p>The property has a total GFA of about 10,435.82 sq.m.</p> <p>The land use rights of the property have been granted for terms expiring on 20 October 2039 for industrial uses.</p>	The property was occupied by the Group for industrial use.	RMB23,500,000.

Notes:

- Pursuant to 2 State-owned Land Use Rights Certificates issued by the People's Government of Changchun, the land use rights of the lands with a total site area of 31,667.00 sq.m. have been granted to Changchun Dihao Crystal Sugar Industry Development Co., Ltd. (長春帝豪結晶糖開發實業有限公司) ("Dihao Crystal Sugar"), which is a wholly-owned subsidiary of the Company. The details of which are as follows:

Land Use Rights Certificate No.	Site Area (sq.m.)	Usage	Expiry Date
Chang Guo Yong (2014) Di No.060024571	13,229	Industrial	20 October 2039
Chang Guo Yong (2014) Di No.060024572	18,438	Industrial	20 October 2039
Total	<u>31,667</u>		

APPENDIX IV PROPERTY VALUATION REPORT ON THE PROPERTY INTEREST HELD BY THE GROUP

2. Pursuant to 4 Building Ownership Certificates issued by Changchun City Planning and Natural Resource Bureau, the building ownership of the property with a total gross floor area of 7,172.94 sq.m. is held by Dihao Crystal Sugar. The details are as follows:

Item	Building Ownership Certificate	GFA (sq.m.)
1	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926765	127.41
2	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926766	362.85
3	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926764	121.85
4	Ji (2019) Changchun City Bu Dong Chan Quan Di No.0926752	6,560.83
Total:		7,172.94

3. In the valuation of this property, we have attributed no commercial value to the building with a gross floor area of approximately 3,262.88 sq.m. which has not obtained any proper title certificate. However, for reference purpose, we are of the opinion that the estimated value by depreciated cost of the building as at the Date of Valuation would be RMB3,400,000 assuming all relevant title certificate has been obtained and the building could be freely transferred.
4. We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal advisers, which contains, *inter alia*, the following information:
- a. Dihao Crystal Sugar is the legal owner of the property and has right to occupy, use, lease, transfer and mortgage or otherwise dispose of the property with legal protection under the PRC law;
 - b. There is no legal impediment in application of the title certificate;
 - c. All land premium and other costs of ancillary utility services have been settled in full; and
 - d. The existing use of the property is in compliance with the local planning regulations and has been approved by the relevant government authorities.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of Global Bio-chem Technology Group Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) will be held at Bauhinia Room I-II, 4th floor, The Marco Polo Hongkong Hotel, Harbour City, No. 3 Canton Road, Tsimshatsui, Kowloon, Hong Kong at 10:30 a.m. on Monday, 30 November 2020 for the following purposes:

ORDINARY RESOLUTIONS

1. to re-elect Mr. Gao Dongsheng as a non-executive Director of the Company and to authorise the board (the “**Board**”) of directors (the “**Directors**”) to fix his Director’s remuneration; and
2. to re-elect Ms. Dong Hongxia as an independent non-executive Director of the Company and to authorise the Board to fix her Director’s remuneration;

and, to consider and, if thought fit, pass the following resolution as ordinary resolution (with or without modifications):

3. (a) “**THAT** the entering into of the supplemental agreement dated 25 September 2020 (the “**Supplemental Agreement**”, a copy of which has been produced to this meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) between the Company and Modern Agricultural Industry Investment Limited (the “**Bondholder**”) in respect of the extension of the maturity date of the convertible bonds issued by the Company to the Bondholder on 15 October 2015 (the “**Convertible Bonds**”) by 32 months from 15 October 2020 to 15 June 2023 subject to fulfillment of certain conditions precedent contained in the Supplemental Agreement together with the transaction contemplated thereunder be and are hereby ratified, confirmed and approved;

* For identification purpose only

NOTICE OF EGM

- (b) the Directors be and are hereby granted the specific mandate to allot and issue the conversion shares upon exercise of the conversion rights attached to the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds as amended by the Supplemental Agreement; and
- (c) all other matters thereof and incidental thereto or in connection therewith be and are hereby generally and unconditionally ratified, confirmed and approved in all respects and that any one or more Directors (or a duly authorised committee thereof) be and are hereby generally and unconditionally authorised to do all such acts and things as they consider necessary and to sign and execute all such documents, and to take all such steps which, in the opinion of the Directors (or a duly authorised committee thereof), may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Supplemental Agreement and the transaction contemplated thereunder and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors (or a duly authorised committee thereof), in the interests of the Company.”

SPECIAL RESOLUTION

and, to consider and, if thought fit, pass the following resolution as special resolution (with or without modification):

- 4. “**THAT**, subject to and conditional upon the passing of resolution numbered 3 above, the waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive Director (or any delegate of the Executive Director) of the Corporate Finance Division of the Securities and Futures Commission (the “**Executive**”) granting to the Bondholder and parties acting in concert with it pursuant to Note 1 to the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) waiving any obligation on the part of the Bondholder and parties acting in concert with it to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the Bondholder and parties acting in concert with it, which would otherwise arise as a result of Bondholder being allotted and issued new shares (“**Shares**”) of the Company upon the exercise of the conversion rights of the convertible bonds pursuant to the Convertible Bonds referred to in resolution numbered 3 above, be and is hereby approved, and that any one or more of the Directors be and he/she is/are hereby authorised to do all such acts and things and execute all such documents as he/

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she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver.”

By order of the Board of
Global Bio-chem Technology Group Company Limited
Zhang Zihua
Acting Chairman

Hong Kong, 6 November 2020

Registered office:

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Suites 2202-4, 22nd Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the above Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Share shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy together with a power of attorney or other authority (under which it is signed or notarially certified thereof), if any, must be deposited at the offices of the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time of the Meeting (i.e. at or before 10:30 a.m. on Saturday, 28 November 2020 (Hong Kong time)) or any adjournment thereof.
4. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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5. The register of members of the Company will be closed from Wednesday, 25 November 2020 to Monday, 30 November 2020, both days inclusive, during which no transfer of Shares will be effected. In order to qualify for the attendance at the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong at the address stated in note 3 above no later than 4:30 p.m. on Tuesday, 24 November 2020 for registration.

As at the date of this notice, the Board comprises three executive Directors, namely, Mr. Yuan Weisen, Mr. Zhang Zihua and Mr. Liu Shuhang; one non-executive Director, namely, Mr. Gao Dongsheng; and three independent non-executive Directors, namely, Ms. Dong Hongxia, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam.