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GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

ANNOUNCEMENT OF THE FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS	2022	2021	Change %
Revenue (HK$'Mn)	**372.3**	746.6	(50.1)
Gross profit (HK$'Mn)	**34.6**	48.4	(28.5)
Loss for the year (HK$'Mn)	**(1,519.6)**	(435.4)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(1,443.1)**	(400.8)	N/A
Basic loss per share (HK cents)	**(16.2)**	(4.5)	N/A
Proposed final dividend per share (HK cents)	**—**	—	N/A

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Global Bio-chem Technology Group Company Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Year**"), together with the comparative figures in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	**2022**	2021
		HK$'000	*HK$'000*
REVENUE	*4*	**372,278**	746,551
Cost of sales		**(337,681)**	(698,200)
Gross profit		**34,597**	48,351
Other income and gains	*4*	**30,874**	1,406,507
Selling and distribution costs		**(39,650)**	(63,450)
Administrative expenses		**(328,207)**	(372,761)
Other expenses		**(545,180)**	(635,527)
Share of loss of a joint venture		**—**	(2,004)
Finance costs	*6*	**(726,218)**	(790,585)
LOSS BEFORE TAX	*5*	**(1,573,784)**	(409,469)
Income tax credit (expenses)	*7*	**54,219**	(25,920)
LOSS FOR THE YEAR		**(1,519,565)**	(435,389)
OTHER COMPREHENSIVE INCOME (LOSS)			
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		**433,334**	(128,279)
		433,334	(128,279)
Items that will not be reclassified subsequently to profit or loss:			
Loss on properties revaluation, net		**—**	(160,110)
Income tax effect		**—**	40,028
		—	(120,082)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX		**433,334**	(248,361)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,086,231)**	(683,750)

	Notes	**2022**	2021
		HK$'000	*HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(1,443,068)**	(400,801)
Non-controlling interests		**(76,497)**	(34,588)
		(1,519,565)	(435,389)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(1,021,289)**	(656,559)
Non-controlling interests		**(64,942)**	(27,191)
		(1,086,231)	(683,750)
LOSS PER SHARE			
Basic	*9*	**HK(16.2) cents**	HK(4.5) cents
Diluted	*9*	**HK(16.2) cents**	HK(4.5) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**4,706,470**	5,381,367
Right-of-use assets		**451,069**	504,279
Deposits paid for acquisition of property, plant and equipment		**835**	902
Intangible assets		**3,751**	3,751
Interests in an associate		—	—
Interests in a joint venture		—	—
Equity investment at fair value through other comprehensive income ("**Designated FVOCI**")		**208**	208
		5,162,333	5,890,507
CURRENT ASSETS			
Inventories		**216,720**	81,418
Trade receivables	11	**59,845**	112,211
Prepayments, deposits and other receivables	12	**367,995**	376,239
Due from a joint venture		**1,055**	—
Pledged bank deposits	13	**173**	530
Cash and bank balances	13	**41,766**	21,810
		687,554	592,208
CURRENT LIABILITIES			
Trade payables	14	**1,201,524**	1,172,159
Other payables and accruals	15	**4,046,184**	3,252,963
Due to an associate		**840**	990
Due to a joint venture		—	145
Tax payables		**104,553**	106,256
Interest-bearing bank and other borrowings		**7,113,550**	7,501,280
Lease liabilities		**1,902**	1,891
Convertible bonds		**1,037,451**	—
		13,506,004	12,035,684
NET CURRENT LIABILITIES		**(12,818,450)**	(11,443,476)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(7,656,117)**	(5,552,969)

	Notes	**2022**	2021
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**345**	2,247
Deferred income		**100,806**	115,232
Deferred tax liabilities		**29,788**	91,522
Convertible bonds		**—**	938,855
		130,939	1,147,856
NET LIABILITIES		**(7,787,056)**	(6,700,825)
CAPITAL AND RESERVES			
Share capital	*16*	**890,741**	890,741
Reserves		**(8,429,734)**	(7,408,445)
Deficit attributable to owners of the Company		**(7,538,993)**	(6,517,704)
Non-controlling interests		**(248,063)**	(183,121)
TOTAL DEFICIT		**(7,787,056)**	(6,700,825)

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 1002, 10^{th} Floor, Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong.

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

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**").

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 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.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$1,519.6 million (2021: approximately HK$435.4 million) for the Year, and as at 31 December 2022, the Group had net current liabilities of approximately HK$12,818.5 million (31 December 2021: approximately HK$11,443.5 million) and net liabilities of approximately HK$7,787.1 million (31 December 2021: approximately HK$6,700.8 million). 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 and creditors for the debt restructuring plan of the Group to improve its financial position

As announced by the Company and Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**") on 23 December 2020, each of 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) ("**Jilin Branch ABC**") (acting on behalf of 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.*) ("**Nongan Branch ABC**")) and 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) ("**Jilin Branch CCB**") announced that they have 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.*) ("**Jilin Cinda**") to transfer all rights (including security right) and benefits of certain loans. Jilin Branch ABC has transferred all of its rights (including security right) and benefits of the loans owed by, among others, the Group and the GSH Group, with an aggregate outstanding principal amount of approximately RMB1,400.0 million and the aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") to Jilin Cinda at a consideration of approximately RMB414.7 million; and Jilin Branch CCB has transferred all of its rights (including security right) and benefits of the loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1,983.5 million and the aggregate outstanding interest of approximately RMB128.5 million (the "**CCB Transferred Loans**") to Jilin Cinda at a consideration of approximately RMB583.6 million.

Moreover, as announced by the Company on 8 March 2022, 中國進出口銀行 (The Export-Import Bank of China*) ("**Export-Import Bank**") has entered into transfer agreements with Jilin Cinda to transfer all rights (including security rights) and benefits of certain loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1.2 billion together with outstanding interest (the "**Export-Import Bank Transferred Loans**") to Jilin Cinda. The Export-Import Bank Transferred Loans included (i) the loan under the loan agreements entered into between an indirect wholly-owned subsidiary of the Company and 中國進出口銀行吉林省分行 (Jilin Branch of The Export-Import Bank of China*) ("**Jilin Branch Export-Import Bank**") with an aggregate outstanding principal amount of approximately RMB648.0 million together with outstanding interest (the "**GBT Jilin Branch Export-Import Loan**") and (ii) a portion of the syndicated loan under the syndicated loan agreement entered into among an indirect wholly-owned subsidiary of the Company and Jilin Branch CCB, 中國建設銀行股份有限公司長春西安大路支行 (Changchun Xian Road Branch of China Construction Bank Corporation*) ("**Changchun CCB**") and Export-Import Bank with an aggregate outstanding principal amount of approximately RMB1.8 billion together with outstanding interest (the "**GBT Syndicated Loan**").

With the support from 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province*), the Company will endeavour to facilitate the implementation of the next stage of the debt restructuring plan. It is currently expected that debt restructuring in relation to a portion of the loans owed by the Group and the GSH Group could be completed by the end of 2023, pending and subject to the internal approval from the respective creditors and relevant local government authorities. The Directors expect that the financial position of the Group will improve significantly upon the completion of the debt restructuring plan.

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

It is expected that the resumption of the remaining part of the land and buildings owned by the Group which are located in Luyuan District, Changchun, the People's Republic of China (the "**PRC**" or "**China**") (the "**Relevant Properties**") by the local government will be conducted in stages according to the PRC's Slum Redevelopment Policy. The management expects that a substantial part of the remaining Relevant Properties will be resumed by the local government in 2024-2025. The Directors believe that the proceeds from the resumption of the Relevant Properties will help to relieve the financial and cash flow pressure of the Group during the period of suspension.

(c) Monitoring of the Group's operating cash flows and partial resumption of production operation

The Group has taken various measures to minimise operating cash outflow and secure financial resources during market turbulence as a result of, among others, the coronavirus disease ("**COVID-19**") pandemic. During the Year, the Group has suspended the production operation of most of the Group's production facilities and consolidated its resources in higher efficiency segments. As China lifted most of the pandemic control measures by the end of the Year, the Group took the opportunity to resume its amino acids operation in mid December 2022. The resumption of the amino acids operation is expected to generate cash inflow to the Group in 2023.

(d) Financial support from the indirect major shareholder

The Group has received an updated written confirmation dated 25 April 2022 from 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.) ("**Nongtou**", together with its subsidiaries, the "**Nongtou Group**") that it would continue to provide financial support to the Group in the following 24 months on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value as at 31 December 2022 amounted to approximately RMB2,105.5 million (31 December 2021: approximately RMB2,323.5 million). It is tasked to consolidate the state-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group, provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group.

The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. The Directors proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group will have sufficient working capital for at least 12 months from the date of this announcement. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2.3 CHANGES IN ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 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:

Amendments to HKFRS16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Projects to HKFRSs	2018-2020 Cycle

Amendments to HKFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendment does not affect lessors.

Amendments to HKAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2.

Amendments to HKAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to HKFRS 3: Reference to the Conceptual Framework

The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Annual Improvements Project — 2018-2020 Cycle

HKFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent — i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the "10 per cent test" for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

The adoption of the above new/revised HKFRSs and HKAS does not have any significant impact on the consolidated financial statements.

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	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information [1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [2]
Amendments to HKAS 1	Non-current Liabilities with Covenants [2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2024

[3] The effective date to be determined

Except for certain amendments to HKAS 1 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 HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Amendments to HKFRS 10 and HKAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in HKFRS 10 and those in HKAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The standards are amended such that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and a partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four (2021: 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 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 then prevailing selling prices used for sales made to third parties.

(i) Segment results

Year ended 31 December 2022

	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	**801**	**5,351**	**359,567**	**6,559**	—	**372,278**
Intersegment	—	**137**	—	—	(137)	—
Revenue	**801**	**5,488**	**359,567**	**6,559**	**(137)**	**372,278**
Segment results	**(355,689)**	**(299,567)**	**(92,847)**	**(13,688)**	—	**(761,791)**
Bank interest income						**45**
Unallocated income						**26,456**
Corporate and other unallocated expenses						**(112,276)**
Finance costs						**(726,218)**
Loss before tax						**(1,573,784)**
Income tax credit						**54,219**
Loss for the year						**(1,519,565)**

Year ended 31 December 2021

	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	791	1,492	727,325	16,943	—	746,551
Intersegment	579	1,151	—	1,372	(3,102)	—
Revenue	1,370	2,643	727,325	18,315	(3,102)	746,551
Segment results	(369,106)	(340,459)	(84,747)	(78,304)	—	(872,616)
Bank interest income						271
Unallocated income						53,447
Corporate and other unallocated expenses						(123,013)
Gain on debt restructuring						1,325,031
Share of loss of a joint venture						(2,004)
Finance costs						(790,585)
Loss before tax						(409,469)
Income tax expenses						(25,920)
Loss for the year						(435,389)

(ii) Other segment information

Year ended 31 December 2022

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Capital expenditure	**688**	**5,339**	**136**	**13**	**6,176**
Depreciation of property, plant and equipment	**127,280**	**120,673**	**51,168**	**9,251**	**308,372**
Depreciation of right-of-use assets (a)	**10,063**	**8,169**	**1,484**	**671**	**20,387**
Loss on disposal of property, plant and equipment, net	**5,904**	**—**	**—**	**—**	**5,904**
(Reversal of write-down) Write-down of inventories, net	**(1,652)**	**(1,624)**	**—**	**1,280**	**(1,996)**
Impairment of deposits paid for acquisition of property, plant and equipment, net	**5,415**	**6**	**—**	**—**	**5,421**
(Reversal of impairment) Impairment of trade receivables, net	**(1,537)**	**(1,582)**	**434**	**1,409**	**(1,276)**
Impairment of prepayments and deposits, net	**2,142**	**—**	**—**	**—**	**2,142**
Impairment of other receivables, net	**9,775**	**220**	**405**	**—**	**10,400**
Impairment of property, plant and equipment	**—**	**4,315**	**406**	**—**	**4,721**
Write-back of payables	**(1,598)**	**(616)**	**—**	**(324)**	**(2,538)**

Year ended 31 December 2021

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Capital expenditure	10,277	13,985	1,543	7	25,812
Depreciation of property, plant and equipment	135,348	191,723	41,406	9,781	378,258
Depreciation of right-of-use assets (a)	10,428	8,335	1,516	671	20,950
Loss on disposal of property, plant and equipment, net	—	—	379	—	379
Write-down of inventories, net	558	19,796	3,085	5,152	28,591
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net	(4,074)	—	—	(8,799)	(12,873)
(Reversal of impairment) Impairment of trade receivables, net	(709)	(323)	27	594	(411)
Reversal of impairment of prepayments and deposits, net	(735)	(26,571)	—	—	(27,306)
Impairment (reversal of impairment) of other receivables, net	15,614	—	(4,957)	—	10,657
Loss on properties revaluation, net	3,869	32,588	—	—	36,457

Remark:

(a) Depreciation of right-of-use assets that was not attributable to any of the above segments which amounted to HK$1,750,000 (2021: HK$3,305,000) was included in corporate and other unallocated expenses.

(iii) Geographical information

Revenue information based on locations of customers

	2022	2021
	HK$'000	*HK$'000*
The PRC	**359,286**	731,878
Asia, the Americas and other regions	**12,992**	14,673
	372,278	746,551

Non-current assets information based on locations of assets

	2022	2021
	HK$'000	*HK$'000*
The PRC	**5,159,792**	5,886,216
Hong Kong	**2,333**	4,083
	5,162,125	5,890,299

(iv) Information about major customers

Revenue from customer individually accounted for 10% or more of the Group's revenue is as follows:

	2022	2021
	HK$'000	*HK$'000*
Corn sweeteners		
Customer A	**66,495**	111,504

4. REVENUE, OTHER INCOME AND GAINS

	2022	2021
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	**372,278**	746,551
Other income and gains		
Amortisation of deferred income	**7,637**	9,417
Bank interest income	**45**	271
Government grants (b)	**995**	5,345
Gain on debt restructuring	**—**	1,325,031
Foreign exchange gain, net	**—**	1,020
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net	**—**	12,873
Reversal of impairment of prepayments and deposits, net	**—**	27,306
Reversal of impairment of trade receivables, net	**1,276**	411
Reversal of write-down of inventories, net	**559**	—
Subcontracting income	**1,964**	5,385
Write-back of payables	**2,538**	—
Others	**15,860**	19,448
	30,874	1,406,507

Remarks:

(a) The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time. The amount of revenue recognised for the Year that was included in the contract liabilities at the beginning of the Year was HK$87,024,000 (2021: HK$116,597,000).

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

5. LOSS BEFORE TAX

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

	2022	2021
	HK$'000	*HK$'000*
Employee benefits expenses (excluding Directors' remuneration):		
Wages and salaries	**207,500**	196,868
Pension scheme contributions (a)	**65,105**	72,940
	272,605	269,808
Cost of inventories sold (b)	**337,681**	698,200
Depreciation of property, plant and equipment	**308,372**	378,258
Depreciation of right-of-use assets	**22,137**	24,255
Amortisation of deferred income	**(7,637)**	(9,417)
Auditor's remuneration	**3,700**	4,400
Impairment of property, plant and equipment	**4,721**	—
Impairment (Reversal of impairment) of deposits paid for acquisition of property, plant and equipment, net	**5,421**	(12,873)
Impairment (Reversal of impairment) of prepayments and deposits, net	**2,142**	(27,306)
Impairment of other receivables, net	**10,400**	10,657
Research and development costs	**10,229**	13,348
Reversal of impairment of trade receivables, net	**(1,276)**	(411)
Loss on disposal of property, plant and equipment, net	**5,904**	379
Gain on debt restructuring	**—**	(1,325,031)
Foreign exchange loss (gain), net	**16,304**	(1,020)
(Reversal of write-down) Write-down of inventories, net (c)	**(1,996)**	28,591
Loss on properties revaluation, net	**—**	36,457

Remarks:

(a) During the Year, the government of the PRC granted reductions of or exemptions from pension scheme contributions to certain subsidiaries operating in the PRC due to the COVID-19 pandemic.

(b) Cost of inventories sold includes employee benefits expenses, depreciation and write-down/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.

(c) Reversal of write-down of inventories comprised reversal of write-down of inventories included in other income and cost of sales of HK$559,000 and HK$1,437,000, respectively, during the Year. (2021: Write-down of inventories comprised write-down of inventories included in other expenses of HK$23,087,000 and cost of sales of HK$5,504,000.)

6. FINANCE COSTS

	2022	2021
	HK$'000	HK$'000
Interest on bank and other borrowings	**505,145**	519,545
Interest on financial guarantees given by Nongtou	**20,349**	20,385
Interest on payables to suppliers	**102,104**	161,348
Imputed interest on convertible bonds	**98,596**	89,234
Interest on lease liabilities	**24**	73
	726,218	790,585

7. INCOME TAX (CREDIT) EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Year (2021: Nil). No provision for the PRC enterprise income tax has been made as the subsidiaries operating in the PRC incurred tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward during the years ended 31 December 2022 and 2021.

	2022	2021
	HK$'000	*HK$'000*
Deferred tax		
Origination and reversal of temporary differences, net	**(54,219)**	25,920
Income tax (credit) expenses	**(54,219)**	25,920

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the Year (2021: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the Year attributable to owners of the Company of approximately HK$1,443,068,000 (2021: HK$400,801,000), and the weighted average number of ordinary shares in issue during the Year of 8,907,405,717 (2021: 8,907,405,717) 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 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

	Notes	2022 HK$'000	2021 HK$'000
At 1 January		**5,381,367**	5,797,334
Additions		**6,176**	25,812
Disposals		**(11,667)**	(506)
Depreciation	*5*	**(308,372)**	(378,258)
Loss on properties revaluation, net		**—**	(196,567)
Impairment	*5*	**(4,721)**	—
Exchange realignment		**(356,313)**	133,552
At 31 December		**4,706,470**	5,381,367

11. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**477,422**	558,188
Loss allowance	**(417,577)**	(445,977)
	59,845	112,211

The Group normally allows credit terms of 30 to 90 days (2021: 30 to 90 days) to established customers. An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 month	**38,455**	70,991
1 to 2 months	**11,647**	24,910
2 to 3 months	**3,585**	11,980
3 to 6 months	**2,703**	1,187
Over 6 months	**3,455**	3,143
	59,845	112,211

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

Trade receivables are non-interest-bearing. At the end of the reporting period, the Group had a concentration of credit risk as 23.3% (2021: 21.1%) and 61.3% (2021: 48.7%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Prepayments	**95,707**	45,365
Deposits and other debtors	**53,885**	87,321
PRC value-added tax ("**VAT**") and other tax receivables	**84,177**	99,506
Receivables from disposal of assets (a)	**134,226**	144,047
	367,995	376,239

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$113,636,000 (31 December 2021: HK$121,951,000) as at 31 December 2022.

13. CASH AND CASH EQUIVALENTS

	2022	2021
	HK$'000	*HK$'000*
Cash and bank balances	**41,766**	21,810
Pledged bank deposits	**173**	530
	41,939	22,340
Less: pledged bank deposits for issuance of bills payables	**(173)**	(530)
	41,766	21,810

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$34,617,000 (2021: HK$7,979,000). Renminbi held by subsidiaries in the PRC is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables		
— To third parties	**925,167**	875,581
— To the Nongtou Group (a)	**276,357**	296,578
	1,201,524	1,172,159

Remark:

(a) The trade payables to the Nongtou Group are unsecured and interest-bearing at 6.5% to 8.5% per annum (2021: 7.2% to 12.0% per annum) after the lapse of the credit periods.

The Group normally obtains credit terms ranging from 30 to 90 days (2021: 30 to 90 days) from its suppliers.

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

	2022	2021
	HK$'000	*HK$'000*
Within 1 month	**166,091**	64,993
1 to 2 months	**2,761**	8,912
2 to 3 months	**106**	3,024
Over 3 months	**1,032,566**	1,095,230
	1,201,524	1,172,159

15. OTHER PAYABLES AND ACCRUALS

	2022	2021
	HK$'000	*HK$'000*
Accruals for employee benefits	**717,310**	571,447
Payables for purchases of machinery	**114,791**	124,349
Receipts in advance (a)	**119,132**	92,211
Payables to the Nongtou Group (b)	**757,032**	684,019
VAT and other duties payables	**226,862**	213,474
Accruals and other creditors	**735,314**	627,004
Interest payables	**1,375,743**	940,459
	4,046,184	3,252,963

Remarks:

(a) 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:

	2022	2021
	HK$'000	*HK$'000*
At 1 January	**92,211**	114,377
Recognised as revenue	**(87,024)**	(116,597)
Receipt of advances or recognition of receivables	**119,132**	92,211
Exchange realignment	**(5,187)**	2,220
At 31 December	**119,132**	92,211

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that were unsatisfied (or partially unsatisfied) at 31 December 2022 and 2021 were parts of contracts that had 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.

(b) The payables represent advances from the subsidiaries of Nongtou which are unsecured, interest-bearing at 6.5% to 12.0% per annum (2021: 7.2% to 12.0% per annum) and are repayable on demand and guarantee charge payables to Nongtou which bear interest at 3.5% per annum (2021: 3.5% per annum).

16. SHARE CAPITAL

	2022	2021
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2021: 20,000,000,000) ordinary shares of HK$0.1 each	**2,000,000**	2,000,000
Issued and fully paid:		
8,907,405,717 (2021: 8,907,405,717) ordinary shares of HK$0.1 each	**890,741**	890,741

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2022, the Group had net current liabilities and capital deficiency of HK$12,818 million and HK$7,787 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$1,520 million for the year ended 31 December 2022. 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 2022. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2021 was subject to the disclaimer of opinion by the Auditor as detailed in the annual report of the Company for the year ended 31 December 2021 (the "**2021 Annual Report**"). The management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken as follows, which have been considered, recommended and agreed by the Audit Committee after its critical review of the management's position for the Year:

Material uncertainty relating to going concern

As detailed in the 2021 Annual Report, the Auditor has raised material uncertainty relating to the ability of the Group to continue as going concern. In addition to the actions disclosed in the 2021 Annual Report, the management of the Company has taken and will take steps as outlined in note 2.2 to improve the financial position of the Group. Depending on the successful and favourable outcomes of such steps, the Board, including the Audit Committee, is of the view that the Group would have sufficient working capital for operation need for at least 12 months from 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals. The upstream corn refinery serves as a feedstock which breaks down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products.

BUSINESS REVIEW

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

During the Year, as the impact of the COVID-19 pandemic weakened, cross-border travels and normal economic activities resumed in many countries. However, inflationary pressure, geopolitical conflicts and soaring energy prices continued to put pressure on the global economy. As a result, the recovery pace has been slow and the global economy grew at a rate of 2.9% for the Year. In the PRC, property market slump and the stringent COVID-19 pandemic control measures have posed immense pressure on the PRC economy. In addition, investments in the manufacturing sector and the employment rate have yet to return to the levels before the outbreak of COVID-19.

Surging commodity and energy prices together with shrunken demand continued to put pressure on many businesses. Consequently, China's GDP growth rate lowered to 3.0% in 2022, lagging behind its initial growth target of 5.5%. The operating environment of the Group, therefore, continued to be challenging during the Year.

With respect to corn supply, global corn production for the year 2022/23 is estimated at 1,151.4 million metric tonnes ("**MT**") (2021/22: 1,216.0 million MT), according to the estimates from the United States Department of Agriculture in February 2023. With respect to corn price, driven by the shortage in grain supply and the increase in shipping cost intensified by the war in Ukraine, international corn price once reached 818 US cents per bushel (equivalent to RMB2,129 per MT) in April 2022. In the second half of the Year, the appreciation of US dollars and Federal Reserves' attempts to curb inflation have cooled the demand for commodities. As a result, international corn price closed at 678.5 US cents per bushel (equivalent to RMB1,843 per MT) (end of 2021: 593 US cents per bushel (equivalent to RMB1,487 per MT)) by the end of 2022. In the PRC, domestic corn harvest in 2022/23 is estimated to produce approximately 277.2 million MT (2021/22: approximately 272.6 million MT) of corn, with consumption volume estimated at 286.6 million MT (2021: 287.7 million MT) for 2022. It is estimated that China has imported approximately 21.2 million MT of corn in 2022. As a result, corn price in the PRC rose to RMB2,816 per MT (end of 2021: RMB2,734 per MT) by the end of 2022. The high corn price, together with economic slowdown in the PRC as a result of the implementation of strict pandemic control measures and the real estate crisis have made the operating environment for the Group's upstream corn refinery challenging during the Year.

During the first half of the Year, global supply shortage, high corn cost and fuel prices have supported global lysine price. Entering into the second half of the Year, global lysine price was put under pressure as the outlook on the global economy turned gloomy with concerns over global recession. In the PRC, the government has continued its effort to facilitate husbandry industry consolidation as well as feed formula improvements. To increase the efficiency of grains usage in feed products, 農業農村部畜牧獸醫局 (Animal Husbandry and Veterinary Bureau under the Ministry of Agriculture and Rural Affairs) has issued a guideline titled《飼料中玉米豆粕減量替代工作方案》(Work Plan for Reduction and Replacement of Corn and Soybean Meal in Feed*) to lower the proportion of corn and soybean as simple feed and increase the proportion of feed additives such as lysine in animal feed products. These changes, together with a relatively stable outlook on the husbandry industry, have supported the PRC lysine price during the first half of the Year. However, as the pace of global recovery slowed down, overseas demand for lysine products turned weak in the second half of the Year. In addition, the lockdown measures in China had caused suspension of many economic activities. The average lysine price in China for the Year has dropped by 3.1% to RMB10,570 per MT year-on-year. As China lifted most of the pandemic control measures at the end of 2022, and normal economic activities gradually resumed subsequently, the Group saw the opportunity to resume its lysine operation. As such, as announced by the Company on 29 December 2022, the operation of the Group's lysine production facilities of 長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.*) ("**Changchun Dahe**") had resumed. The resumption of production in Changchun Dahe is expected to generate cash inflow to the Group in 2023.

As for the sugar market, global sugar production for 2021/22 was 180.3 million MT (2020/21: 180.2 million MT) with consumption estimated at 173.2 million MT (2020/21: 172.1 million MT). Despite the slight surplus, driven by the uncertainties due to the war in Ukraine and the inflation of commodity prices, international sugar price increased to 18.91 US cents per pound (equivalent to RMB2,883 per MT) (end of 2021: 18.88 US cents per pound (equivalent to RMB2,658 per MT)) by the end of 2022. It is estimated that sugar surplus will continue as global sugar production in 2022/23 harvest will reach 183.2 million MT with consumption estimated at 176.4 million MT. In the PRC, domestic sugar production reduced slightly to 9.6 million MT (2020/21 10.7 million MT) in the 2021/22 harvest, while consumption stayed at around 15.5 million MT. Due the decrease in demand as a result of the lockdowns in major cities and slow economic recovery in China during the Year, domestic sugar price dropped to RMB5,710 per MT (end of 2021: RMB5,834 per MT) by the end of 2022. In addition, the suspension of operation of the Group's production facilities in Shanghai (the "**Shanghai Temporary Suspension**") during the second quarter of the Year due to the lockdown measures implemented in Shanghai as announced by the Company and GSH on 14 April 2022 has substantially lowered the production output of the Group and negatively impacted the financial performance of the Group during the Year.

The operating environment for the Group's polyol chemical business continued to be challenging during the Year. The Group's research and development team is proactively looking at the possibility to restructure its product portfolio to include high value-added products in response to the changing market needs. The Group will continue to observe the market and take a prudent approach before resuming its polyol chemical business.

The operating environment of the Group in 2023 is expected to improve as the PRC economy gradually gets back on track. However, due to shortage in corn supply, the PRC corn price is expected to remain high in 2023, while the geopolitical complexity will continue to add uncertainty to the global economy. As for the outlook on the lysine market, meat consumption is likely to increase year-on-year as driven by a relatively positive economic outlook in China which will drive the demand for feed related products such as lysine. The resumption of production in Changchun Dahe is expect to generate cash inflow to the Group in 2023. With respect to the sugar market, it is estimated that China will increase its sugar production to 10.1 million MT in 2022/23 with consumption estimated at 15.6 million MT. Although global sugar price is expected to turn bearish in 2023 due to the increase in global production, the expected increase in demand due to China's economic resumption may counterbalance part of the effect of the sugar surplus. On the other hand, changes in consumption pattern and increased health awareness of the general public are expected to put pressure on the traditional sugar/sweetener product market. In the short run, the Group will continue to monitor closely the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies so as to optimise the Group's production facilities to maintain a relatively healthy cash flow while balancing its market presence. In the long run, the Group will continue to strengthen its market position by utilising its brand name, strive to provide excellent customer service and be customer-oriented to better understand their ever-changing demands and product requirements, as well as to further improve cost effectiveness and product mix through continuous research and development efforts. With respect to the Group's financial position, the Group will continue to leverage on the synergies with its resourceful shareholders with state-owned enterprise background and devote its energy in facilitating the implementation of the Group's debt restructuring plan to achieve significant improvement of the Group's financial position, and seek opportunities with other potential investors that will bring both financial and business synergies to the Group.

FINANCIAL PERFORMANCE

During most of the time of the Year, as the PRC government maintained its strict pandemic control measures which led to lockdowns and suspensions of certain economic activities, the Group continued to suspend the operation of its production facilities as detailed in the Company's announcements dated 24 September 2019, 16 December 2019, 10 February 2020 and 29 May 2020 (collectively, the "**Suspension of Operation Announcements**") to minimise financial risks and secure financial resources amidst economic uncertainties. In addition, due to the Shanghai Temporary Suspension, the sales volume of the Group had dropped by approximately 51.1% during the Year. The consolidated revenue and gross profit of the Group for the Year decreased significantly by approximately 50.1% and 28.5% respectively to approximately HK$372.3 million (2021: HK$746.6 million) and HK$34.6 million (2021: HK$48.4 million) respectively. Due to the improvement in corn sweetener prices as driven by rising sugar price during the Year, the average selling price of the Group's sweetener products had increased during the Year. Such increase was able to offset the increase in raw material costs. As a result, the gross profit margin of the Group increased by 2.8 percentage points to 9.3% (2021: 6.5%).

On the other hand, other income and gains of the Group decreased significantly during the Year by approximately HK$1,375.6 million to approximately HK$30.9 million (2021: HK$1,406.5 million), with the absence of the recognition of the one-off gain on debt restructuring of approximately HK$1,325.0 million recorded for the year ended 31 December 2021 subsequent to the completion of the repurchase agreements dated 26 March 2021 entered into between certain subsidiaries of the Company and GSH and 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**") and the completion of the repurchase agreement dated 26 March 2021 entered into between 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") and Changchun Rudder (collectively, the "**Repurchase Agreements**" and each, a "**Repurchase Agreement**"), all of which took place on 31 March 2021 and as disclosed in the joint announcements of the Company and GSH dated 26 March 2021 and 31 March 2021. As such, the Group recorded a net loss of approximately HK$1,519.6 million (2021: HK$435.4 million) and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$517.1 million (2021: EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation): HK$783.6 million) during the Year.

To improve the financial position of the Group, the management of the Group will continue its efforts in (1) speeding up the process of resumption of the Relevant Properties in order to reduce the financial burden of the Group; (2) actively negotiating with banks/creditors to push forward the debt restructuring plan to lower the debt level of the Group; (3) closely monitoring market changes to streamline the production processes and identify opportunities for further resumption of production to improve the Group's financial conditions and operational efficiency; and (4) introducing potential investors to further strengthen the working capital and financial position of the Group.

Upstream products

(Revenue: HK$0.8 million (2021: HK$0.8 million))
(Gross profit: HK$0.1 million (2021: HK$0.1 million))

The upstream products recorded insignificant sales volume as all the Group's upstream operations have been suspended during most of the time of the Year and most of the inventory has been exhausted prior to the Year. As a result, the revenue of the upstream products amounted to approximately HK$0.8 million (2021: HK$0.8 million) with sales volume of 170 MT (2021: 200 MT) for the Year.

Consequently, the upstream products recorded an insignificant gross profit of less than HK$0.1 million (2021: less than HK$0.1 million), with a gross profit margin of 12.5% (2021: 12.5%). No internal consumption of corn starch was recorded during the Year (2021: Nil).

Amino acids

(Revenue: HK$5.3 million (2021: HK$1.5 million))
(Gross profit: HK$0.6 million (2021: HK$0.1 million))

The amino acids segment consists of lysine, protein lysine and threonine products. Although the Group resumed its amino acids operation since mid December 2022, the sales contract signed at the end of 2022 would only be reflected in 2023. Thus, the Group's amino acids segment recorded insignificant sales volume of approximately 800 MT (2021: 180 MT) during the Year. As a result, the revenue of the amino acids segment amounted to approximately HK$5.3 million (2021: HK$1.5 million) for the Year, with a gross profit of HK$0.6 million (2021: HK$0.1 million) and gross profit margin of 11.3% (2021: 6.7%). It is expected that pork production in China will gradually pick up its recovery momentum in 2023 as China reopened to the world since the end of the Year and its economic activities gradually returns to normal. The resumption of the Group's lysine production is expected to generate a substantial revenue and gross profit to the Group in 2023.

Corn sweeteners

(Revenue: HK$359.6 million (2021: HK$727.3 million))
(Gross profit: HK$27.3 million (2021: HK$41.5 million))

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

Due to the Shanghai Temporary Suspension together with the continued suspension of the Group's sweeteners production facilities in the Jinzhou and Xinglongshan sites, the revenue of the corn sweeteners segment decreased by approximately 50.6% to approximately HK$359.6 million (2021: HK$727.3 million). Such decrease was mainly attributable to the decrease in sales volume by approximately 52.2% to approximately 85,000 MT (2021: 178,000 MT). As the portion of expenses in relation to suspension of operation has been allocated to other expenses during the Year and the increase in the selling price of corn sweeteners has offset the increase in the raw material cost, the gross profit of the corn sweeteners segment dropped only by 34.2% to approximately HK$27.3 million (2021: HK$41.5 million) during the Year, with a gross profit margin improved to 7.6% (2021: 5.7%).

Polyol chemicals

(Revenue: HK$6.6 million (2021: HK$17.0 million))
(Gross profit: HK$6.6 million (2021: HK$6.7 million))

The polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. The Group has suspended most of its polyol chemicals production since March 2014. During the Year, the Group continued to utilise its polyol chemicals inventory to produce and sell a small amount of anti-freeze products.

During the Year, the revenue of polyol chemicals segment decreased by 61.2% to approximately HK$6.6 million (2021: HK$17.0 million), with sales volume dropped by approximately 40.0% to approximately 6,000 MT (2021: 10,000 MT). As substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years, the polyol chemicals segment recorded a gross profit of approximately HK$6.6 million (2021: HK$6.7 million) with a gross profit margin of 100.0% (2021: 39.4%).

Export sales

During the Year, export sales which comprised entirely the sales of corn sweeteners accounted for 3.5% (2021: 2.0%) of the Group's total revenue. The export sales of the Group amounted to approximately HK$13.0 million (2021: HK$14.7 million) during the Year, representing a decline of approximately 11.6% as compared to the corresponding period last year. Such decline was mainly attributable to the suspension of most of the Group's production facilities and the exhaustion of most of the inventory prior to the Year. Consequently, no export sales of upstream products, amino acids and polyol chemicals were recorded during the Year and the previous year.

Other income and gains, operating expenses, finance costs and income tax expenses

Other income and gains

During the Year, other income and gains decreased by approximately 97.8% to approximately HK$30.9 million (2021: HK$1,406.5 million). Such difference was mainly attributable to the absence of the recognition of the one-off gain on debt restructuring of approximately HK$1,325.0 million as a result of the completion of the Repurchase Agreements in 2021.

Selling and distribution costs

During the Year, the selling and distribution costs decreased by 37.5% to approximately HK$39.7 million (2021: HK$63.5 million), accounting for approximately 10.7% (2021: 8.5%) of the Group's revenue. Such decrease was mainly attributable to the decline in sales volume.

Administrative expenses

During the Year, administrative expenses decreased by 12.0% to approximately HK$328.2 million (2021: HK$372.8 million). Such decrease was mainly attributable to (i) the decrease in depreciation expense by approximately HK$10.8 million to approximately HK$134.3 million (2021: HK$145.1 million) as a result of loss on properties revaluation on buildings recorded in 2021; and (ii) the decrease in salary expense by approximately HK$14.0 million to approximately HK$47.1 million (2021: HK$61.1 million) as a result of the effective cost control measurement of the Group during the Year.

Other expenses

During the Year, other expenses decreased by 14.2% to approximately HK$545.2 million (2021: HK$635.5 million). Such decrease was mainly attributable to the absence of guarantee interest (2021: HK$41.1 million) as a result of the discharge of financial obligations pursuant to the financial guarantee contracts subsequent to the completion of the Repurchase Agreement entered into between Dajincang and Changchun Rudder.

Finance costs

During the Year, finance costs of the Group decreased by 8.1% to approximately HK$726.2 million (2021: HK$790.6 million), which was mainly attributable to the decrease in interest payables to suppliers subsequent to the agreements reached with creditors to reschedule the repayment plan during the Year.

Income tax credit (expenses)

Due to the recognition of temporary differences, the Group recorded a deferred tax credit of approximately HK$54.2 million (2021: deferred tax expense: HK$25.9 million) during the Year. Meanwhile, during the Year, all the subsidiaries of the Group recorded tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years, no income tax expenses were recorded for the Year (2021: Nil). As a result, the Group recorded tax credit of approximately HK$54.2 million (2021: tax expense HK$25.9 million) for the Year.

Loss shared by non-controlling shareholders

During the Year, GSH and another non-wholly-owned subsidiary recorded loss of approximately HK$212.5 million (2021: HK$98.3 million), leading to loss attributable to non-controlling interests amounted to approximately HK$76.5 million (2021: HK$34.6 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2022 decreased by approximately HK$387.7 million to approximately HK$7,113.6 million (31 December 2021: HK$7,501.3 million) as a result of the completion of net addition of certain bank and other borrowings of approximately HK$123.7 million and exchange rate adjustment of approximately HK$511.4 million during the Year. On the other hand, the cash and bank balances and pledged bank deposits as at 31 December 2022 which were mainly denominated in Renminbi and Euro increased by approximately HK$19.6 million to approximately HK$41.9 million (31 December 2021: HK$22.3 million, denominated in Renminbi, Hong Kong Dollars and Euro). As a result, the net borrowings decreased by approximately HK$407.3 million to HK$7,071.7 million (31 December 2021: HK$7,479.0 million).

Structure of interest-bearing bank and other borrowings

As at 31 December 2022, the Group's interest-bearing bank and other borrowings amounted to approximately HK$7,113.6 million (31 December 2021: HK$7,501.3 million), all (31 December 2021: all) of which were denominated in Renminbi. As at 31 December 2022, all (31 December 2021: all) the interest-bearing bank and other borrowings of the Group were wholly repayable within one year or on demand.

As at 31 December 2022, interest-bearing bank and other borrowings amounted to approximately RMB318.6 million (31 December 2021: RMB328.6 million) have been charged at fixed interest rates ranging from 7.0% to 13.6% (31 December 2021: 5.8% to 13.6%) for terms from one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were charged with reference to floating interest rate.

Convertible bonds

Upon completion of the subscription of shares by Modern Agricultural Industry Investment Limited ("**Modern Agricultural**") and the issuance of convertible bonds (the "**Convertible Bonds**") by the Company to Modern Agricultural in October 2015 (the "**Original CB Subscription**"), Convertible Bonds, among others, in the aggregate principal amount of HK$1,086,279,565 which may be converted into 4,722,954,631 conversion shares of the Company based on the initial conversion price of HK$0.23 (subject to adjustment) per share upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Pursuant to the terms of the Original CB Subscription, the holder of the Convertible Bonds has the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into new shares of the Company at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date seven days before (and excluding) the date falling on the fifth anniversary of the date of issue, provided that the public float of the shares of the Company shall not be less than 25% or any given percentage as required by the Listing Rules on the Stock Exchange. The Convertible Bonds first became mature on 15 October 2020 (the "**Original Maturity Date**"), and all the Convertible Bonds remained outstanding on the Original Maturity Date.

As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with the HK Bloom Investment Limited ("**HK Bloom**" or 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 "**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**"), respectively. As a result of the completion of the First Subscription and the Second Subscription, the conversion price of the outstanding Convertible Bonds has been adjusted, in accordance with the terms and conditions of the Convertible Bonds, to HK$0.21 per share upon the completion of the Second Subscription on 29 April 2020 and the maximum number of shares issuable by the Company upon full conversion of the Convertible Bonds is 5,172,759,833 shares (the "**Conversion Price Adjustment**").

On 25 September 2020, the Company and Modern Agricultural entered into a supplemental agreement for the proposed extension of the Original Maturity Date by 32 months to 15 June 2023 (the "**Extension**"). The resolutions to approve the Extension were passed by way of poll at the extraordinary general meeting of the Company held on 30 November 2020 and the Extension took effect from that date. For details of the Extension, please refer to the announcement of the Company dated 25 September 2020 and the circular of the Company dated 5 November 2020.

Save for the Conversion Price Adjustment and the Extension, all other terms and conditions of the Convertible Bonds remain unchanged.

At 31 December 2022, the Convertible Bonds were divided into liability component and equity component which amounted to HK$1,037.5 million and HK$972.1 million (31 December 2021: HK$938.9 million and HK$972.1 million) respectively and effective imputed interest of HK$98.6 million (2021: HK$89.2 million) was charged during the Year.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Year, trade receivables turnover days increased to approximately 59 days (31 December 2021: 55 days) as longer credit period were granted to a number of customers with good track records.

As the Group has resumed the operation of the production facilities of Changchun Dahe since the end of the Year, the Group has resumed the procurement of corn kernels in December 2022. Consequently, trade payables balance and inventory level of the Group increased by approximately 2.5% and approximately 166.2% respectively to approximately HK$1,201.5 million (31 December 2021: HK$1,172.2 million) and approximately HK$216.7 million (31 December 2021: HK$81.4 million) respectively. As such, the trade payables turnover days and the inventory turnover days increased to approximately 1,283 days (31 December 2021: 661 days) and approximately 235 days (31 December 2021: 43 days), respectively.

As at 31 December 2022, the current ratio and the quick ratio of the Group were 0.05 (31 December 2021: 0.05) and 0.03 (31 December 2021: 0.04) respectively. The Group recorded a net loss of approximately HK$1,519.6 million (2021: HK$435.4 million) during the Year, leading to recorded net liabilities of approximately HK$7,787.1 million (31 December 2021: HK$6,700.8 million). Gearing ratio in terms of debts (i.e. total interest-bearing bank, other borrowings and Convertible Bonds) to total assets (i.e. sum of current assets and non-current assets) was approximately 139.3% (31 December 2021: 130.2%). To improve the financial position of the Group, the Company has adopted a series of strategic measures as outlined in note 2.2.

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales, which were denominated in US dollars, accounted for approximately 3.5% (2021: 2.0%) of the Group's revenue during the Year. The Board has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuation in the short run. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

IMPORTANT TRANSACTIONS DURING THE YEAR

The subscription and termination of the subscription of new shares of the Company under the general mandate

As disclosed in the announcement of the Company dated 19 January 2022, the Group was in imminent need of cash, therefore, the Company entered into the subscription agreement (the "**2022 Subscription Agreement**") with Rationale (Holdings) Investment Limited ("**Rationale Holdings**") on 19 January 2022, pursuant to which the Rationale Holdings has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,781,481,143 new ordinary shares (the "**2022 Subscription Shares**") at the subscription price of HK$0.1345 per 2022 Subscription Share (the "**2022 Subscription**"). The gross proceeds from the 2022 Subscription shall amount to approximately HK$239,610,000 with the aggregate nominal value amounting to HK$17,814,811.4. The net proceeds from the 2022 Subscription, after the deduction of relevant expenses, is estimated to be approximately HK$239,500,000 and the net price to the Company of each 2022 Subscription Share is estimated to be approximately HK$0.1344. The closing price of each of shares of the Company one day prior to the date of the 2022 Subscription Agreement was HK$0.168. The 2022 Subscription Shares represent 20.0% of the total issued share capital of the Company immediately before the completion of the 2022 Subscription and approximately 16.7% of the total issued share capital of the Company as enlarged by the allotment and issue of the 2022 Subscription Shares. The Company intends to use the net proceeds from the 2022 Subscription primarily for the partial resumption of the Group's Xinglongshan site in Changchun, Jilin Province. For further details of the 2022 Subscription and the intended use of the net proceeds, please refer to the announcement of the Company dated 19 January 2022 and 25 January 2022.

As disclosed in the announcement of the Company dated 10 October 2022, after taking into account the then market conditions and the prolonged time that has passed since the entering into of the 2022 Subscription Agreement, the original timetable and intended use of proceeds have lapsed and become invalid. The Company had attempted to negotiate with Rationale Holdings on the change of use of proceeds but the parties failed to reach consensus. Therefore, the parties decided not to proceed with the 2022 Subscription. As such, the Company and the Rationale Holdings entered into a termination agreement on 10 October 2022 (after trading hours) to terminate the 2022 Subscription Agreement with immediate effect. Pursuant to the termination agreement, all rights and obligations of the parties under the 2022 Subscription Agreement (save for the confidentiality obligations of the parties under the 2022 Subscription Agreement) shall cease and determine and neither party shall have any claim against the other in respect of the 2022 Subscription.

FUNDRAISING ACTIVITIES

Other than the 2022 Subscription as mentioned in the paragraph headed "Important Transactions during the Year — The subscription and termination of the subscription of new shares of the Company under the general mandate" in this announcement which was terminated and did not proceed to completion, the Company did not conduct any fundraising activities during the Year.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

(1) Reference is made to the joint announcement of the Company and GSH dated 4 May 2020, among others, 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**"), a subsidiary of GSH, failed to satisfy certain financial covenants under the various loan agreements entered into between Jinzhou Yuancheng and 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) ("**Jinzhou CCB**") for the aggregate principal amount of RMB189.9 million ("**Yuancheng CCB Loans**"), such failure to perform or comply the financial covenants would entitle Jinzhou CCB to declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng CCB Loans immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group. The Yuancheng CCB Loans were jointly and severally guaranteed by the Company and certain subsidiaries of GSH with a maximum guaranteed principal amount of not more than RMB200.0 million.

As detailed in the joint announcements of the Company and GSH dated 14 January 2022 and 22 February 2022, Jinzhou CCB has applied to 遼寧省瀋陽市中級人民法院 (Intermediate People's Court of Shenyang City, Liaoning Province*) (the "**Shenyang Intermediate Court**"), and the Shenyang Intermediate Court has granted, various orders in favour of Jinzhou CCB for preservation of the bank balance (or assets of equivalent value) of certain members of the Group and the GSH Group in the aggregate amount of RMB213,882,635.55 in respect of the Yuancheng CCB Loans. As at the date of this announcement, the outstanding principal amount of the Yuancheng CCB Loans is approximately RMB188.7 million.

(2) As disclosed in the joint announcement of the Company and GSH dated 25 February 2020, the Group has defaulted in, among others, the repayment of certain loans under the loan agreements entered into between an indirect wholly-owned subsidiary of the Company and Jilin Branch Export-Import Bank with the GBT Jilin Branch Export-Import Loan and the GBT Syndicated Loan.

The maximum liabilities guaranteed by the Company under the GBT Jilin Branch Export-Import Loan and the GBT Syndicated Loan are approximately RMB648.0 million and RMB2.0 billion, respectively, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements. As at the date of this announcement, the outstanding principal amounts under GBT Jilin Branch Export-Import Loan and the GBT Syndicated Loan are approximately RMB648.0 million and RMB1.8 billion, respectively. Certain subsidiaries of the Company have also provided collaterals to secure the GBT Jilin Branch Export-Import Loan and the GBT Syndicated Loan.

As disclosed in the announcement of the Company dated 8 March 2022, Jilin Cinda has entered into transfer agreements with Export-Import Bank, pursuant to which Export-Import Bank has transferred to Jilin Cinda all of the rights (including security rights) and benefits of certain loans owed by the Group with outstanding principal amount of approximately RMB1.2 billion together with outstanding interest (i.e., the Export-Import Bank Transferred Loans), which included the GBT Jilin Branch Export-Import Loan and the portion of the GBT Syndicated Loan owed to Export Import Bank.

(3) Reference is made to the joint announcement of the Company and GSH dated 23 December 2020 regarding certain loan agreements entered into between certain subsidiaries of the Company with each of Nongan Branch ABC and Changchun CCB with aggregate outstanding principal amounts of RMB920.0 million (excluding the loans owed by the GSH Group) together with outstanding interest (the "**GBT ABC Loan**") and RMB740.0 million together with outstanding interest (the "**GBT CCB Loan**") respectively, that have become immediately due and payable before their maturity dates in June 2021 in contemplation of the debt restructuring plan of the Group and the GSH Group. The Group has defaulted in the repayment of such loans and the outstanding principal amounts under the GBT ABC Loan and the GBT CCB Loan are approximately RMB920.0 million and RMB740.0 million, respectively. The maximum liability guaranteed by the Company under the GBT ABC Loan is RMB1,660.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements and certain subsidiaries of the Company have also provided collaterals to secure such loan. The maximum guaranteed principal amount by the Company under the GBT CCB Loan is RMB1,000.0 million.

On the other hand, the fixed term loan under a loan agreement entered into between an indirect wholly-owned subsidiary of GSH, namely, 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd*) ("**Dihao Foodstuff**") and Nongan Branch ABC with an outstanding principal amount of RMB180.0 million together with outstanding interest (the "**GSH ABC Loan**") has become immediately due and payable before its maturity date in June 2021 in contemplation of the debt restructuring plan of the Group and the GSH Group. The GSH Group has defaulted in the repayment of such loan with the outstanding principal amount of approximately RMB180.0 million. The maximum liability guaranteed by GSH is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under such loan agreement. Certain subsidiaries of GSH have also provided collaterals to secure such loan.

In addition, the default in repayment of such loans by the Group and the GSH Group may also trigger cross default of other loan agreements entered into by the Group and the GSH Group.

As further disclosed in the joint announcement of the Company and GSH dated 23 December 2020, transfer agreements have also been entered into between Jilin Cinda and each of Jilin Branch ABC and Jilin Branch CCB. Jilin Branch ABC (acting on behalf of Nongan Branch ABC) and Jilin Branch CCB (also acting on behalf of Changchun CCB) have each agreed to sell to Jilin Cinda, and Jilin Cinda has agreed to purchase, all of the rights (including security rights) and benefits of (i) the loans owed by, among others, the Group and the GSH Group, with an aggregate outstanding principal amount of approximately RMB1,400.0 million and the aggregate outstanding interest of approximately RMB42.8 million (i.e., the ABC Transferred Loans) at a consideration of approximately RMB414.7 million; and (ii) the loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1,983.5 million and the aggregate outstanding interest of approximately RMB128.5 million (i.e., the CCB Transferred Loans) at a consideration of approximately RMB583.6 million. The ABC Transferred Loans include, among others, the GBT ABC Loan and the GSH ABC Loan. The CCB Transferred Loans include, among others, the GBT CCB Loan and the portion of the GBT Syndicated Loan owed to Jilin Branch CCB and Changchun CCB. As at the date of this announcement, the outstanding principal amounts under ABC Transferred Loans and the CCB Transferred Loans are approximately RMB1,400.0 million and RMB1,983.5 million, respectively.

(4) Reference is made to the joint announcement of the Company and GSH dated 27 April 2021. 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) ("**Harbin Dacheng**"),which is an indirect wholly-owned subsidiary of the Company, has defaulted in the repayment of the fixed-term loan under a loan agreement (the "**Harbin Dacheng Daxinganling Loan Agreement**") entered into between Harbin Dacheng and 大興安嶺農村商業銀行股份有限公司 (Daxinganling Rural Commercial Bank Co., Ltd.*) ("**Daxinganling Bank**"), with outstanding principal amount of RMB50.0 million, together with outstanding interests (the "**Daxinganling Loan**"). Harbin Dacheng has provided collaterals to secure the Daxinganling Loan. As at the date of this announcement, the outstanding principal amount under the Harbin Dacheng Daxinganling Loan Agreement is RMB50.0 million and Harbin Dacheng has yet to receive any waiver from Daxinganling Bank in respect of the default of repayment of the Daxinganling Loan.

On the other hand, as further detailed in the joint announcement of the Company and GSH dated 5 August 2022, Dihao Foodstuff has defaulted in the repayment of the fixed-term loan under a loan agreement (the "**Jiyin Rural Loan Agreement**") entered into between Dihao Foodstuff and 長春雙陽吉銀村鎮銀行股份有限公司 (Changchun Shuangyang Jiyin Rural Bank Co., Ltd.*) ("**Jiyin Rural Bank**") with outstanding principal amount of RMB4.9 million (the "**Jiyin Rural Loan**"). Such loan is guaranteed by 上海好成食品發展有限公司 (Shanghai Haocheng Foods Development Co., Ltd*), a wholly-owned subsidiary of GSH. As at the date of this announcement, the outstanding principal amount under the Jiyin Rural Loan Agreement is RMB4.9 million and Dihao Foodstuff has yet to receive any waiver in written form from Jiyin Rural Bank in respect of the default of repayment of the Jiyin Rural Loan.

SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

Updates on the suspension of operation of certain subsidiaries of the Group and the impact of COVID-19 on the Group's business

Despite most parts of the world reopened as the impact of the COVID-19 pandemic weakened and cross-border travels and normal economic activities resumed in many countries, inflationary pressure, geopolitical conflicts and soaring energy prices continued to put pressure on the global economy. With respect to the Group's business, corn price is expected to remain high throughout 2023. Coupled with the increasingly competitive operating environment, the year of 2023 is expected to remain challenging for the Group. It is not commercially viable for the Group to resume its upstream operation without downstream production. As a result, the Group has continued to suspend most of its upstream operation during the Year. However, as China lifted most of the pandemic control measures at the end of 2022 and normal economic activities gradually resumed since then, the Group saw the opportunity to resume its lysine operation with the expectation of demand recovery in China. As such, the operation of the Group's lysine production facilities of Changchun Dahe has resumed since mid December 2022. The resumption of production in Changchun Dahe is expected to generate cash inflow to the Group in 2023. Apart from the resumption of its lysine operation, the Group will continue to monitor the market conditions closely and invite strategics investor to raise additional fund to resume the operation of other production sites as soon as possible to the extent practicable.

IMPORTANT EVENTS AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

Termination of deemed disposal of equity interest in GSH

Reference is made to the announcement of the Company dated 24 July 2022 in relation to the deemed disposal of the Company's interest in the issued share capital in GSH under the conditional subscription agreement (the "**GSH Subscription Agreement**") entered into between GSH and Hartington Profits Limited, a company incorporated in the British Virgin Islands with limited liability and an independent third party of the Group (the "**GSH Subscriber**"). As detailed in the announcement of GSH dated 28 February 2023 and the announcement of the Company dated 2 March 2023, as the conditions precedent under the GSH Subscription Agreement have not been fully fulfilled (or waived by the GSH Subscriber, as the case may be) by the extended long stop date of the GSH Subscription Agreement, the GSH Subscription Agreement has therefore been terminated and all obligations of GSH and the GSH Subscriber under the GSH Subscription Agreement have ceased and determined. Deemed disposal by the Company of its interest in the issued share capital of GSH was terminated as a result of the termination of the GSH Subscription Agreement.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market position, diversify its product range and enhance its capability in developing high value-added products and new applications through in-house research; internally, the Group will endeavour to materialise the debt restructuring plan to improve the financial position of the Group and introduce strategic investors to form business alliance for sustainable development.

In short run, the Group will continue its collaboration with distributors, actively participate in animal feed industry conferences and campaigns to maintain close business relationships with prominent animal feed producers and maintain the stable production of its lysine products to strengthen its position in the industry. The Group targets to resume all its production capacity of the lysine production lines in second half of 2023. It is expected that the full resumption of the Group's lysine production would generate cash inflow to the Group in 2023 and provide sufficient capital for upgrading its existing production technologies and equipment. On the other hand, the Group will continue to monitor closely the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies and determining the best timing to resume the operation of other production facilities.

In the long run, the Group will continue to strengthen its market position by utilising its brand name, strive to provide excellent customer service and be customer oriented to understand better their ever-changing demands and product requirements, dedicate more time and energy in resources conservation and development of green products, and further improve cost effectiveness and product mix through continuous research and development efforts. The Board will optimise its risk/return decisions with respect to capital expenditure and will take a prudent approach in relation to capacity expansion.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2022, the Group had approximately 3,500 (2021: 3,700) full time employees in Hong Kong and the PRC. During the Year, employee cost, including Directors' remuneration, was about HK$274,033,000 (2021: HK$272,259,000). The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasingly turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards to its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain competitive remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and discretionary bonuses.

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

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

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2021: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

To the best knowledge and belief of the Board, the Company has applied and complied with all code provisions in part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the Year.

The Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the Company's code of conduct for dealings in securities of the Company by the Directors.

Having made specific enquiry of each of the Directors, all the Directors have confirmed to the Company that they have complied with the required standards set out in the Model Code and the Company's code of conduct during the Year.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control systems. The Audit Committee currently comprises all independent non-executive Directors, namely Mr. Ng Kwok Pong (the chairman of the committee), Ms. Dong Hongxia and Mr. Yeung Kit Lam.

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

The Group's annual results for the Year have been reviewed by the Audit Committee and the Audit Committee held three meetings during the Year.

ANNUAL GENERAL MEETING

The 2022 annual general meeting (the "**AGM**") of the Company will be held on Thursday, 25 May 2023 at 11:30 a.m.. Notice of the AGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.globalbiochem.com) and issued to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Friday, 19 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no transfer of shares will be registered in order to determine the entitlements to the attendance at the annual general meeting.

Shareholders of the Company are reminded that in order to qualify for the attendance at the annual general meeting, they must ensure that all transfers, accompanied by the relevant share certificates and the appropriate transfer forms, must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 18 May 2023.

FULL DETAILS OF FINANCIAL INFORMATION

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

SCOPE OF WORK OF THE AUDITOR

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

By order of the Board
Global Bio-chem Technology Group Company Limited
Yang Jian
Chairman

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Yang Jian and Mr. Wang Guicheng; 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.