大成糖業控股有限公司*

**GLOBAL Sweeteners Holdings Limited**

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03889

# 2022 Annual Report

* For identification purpose only

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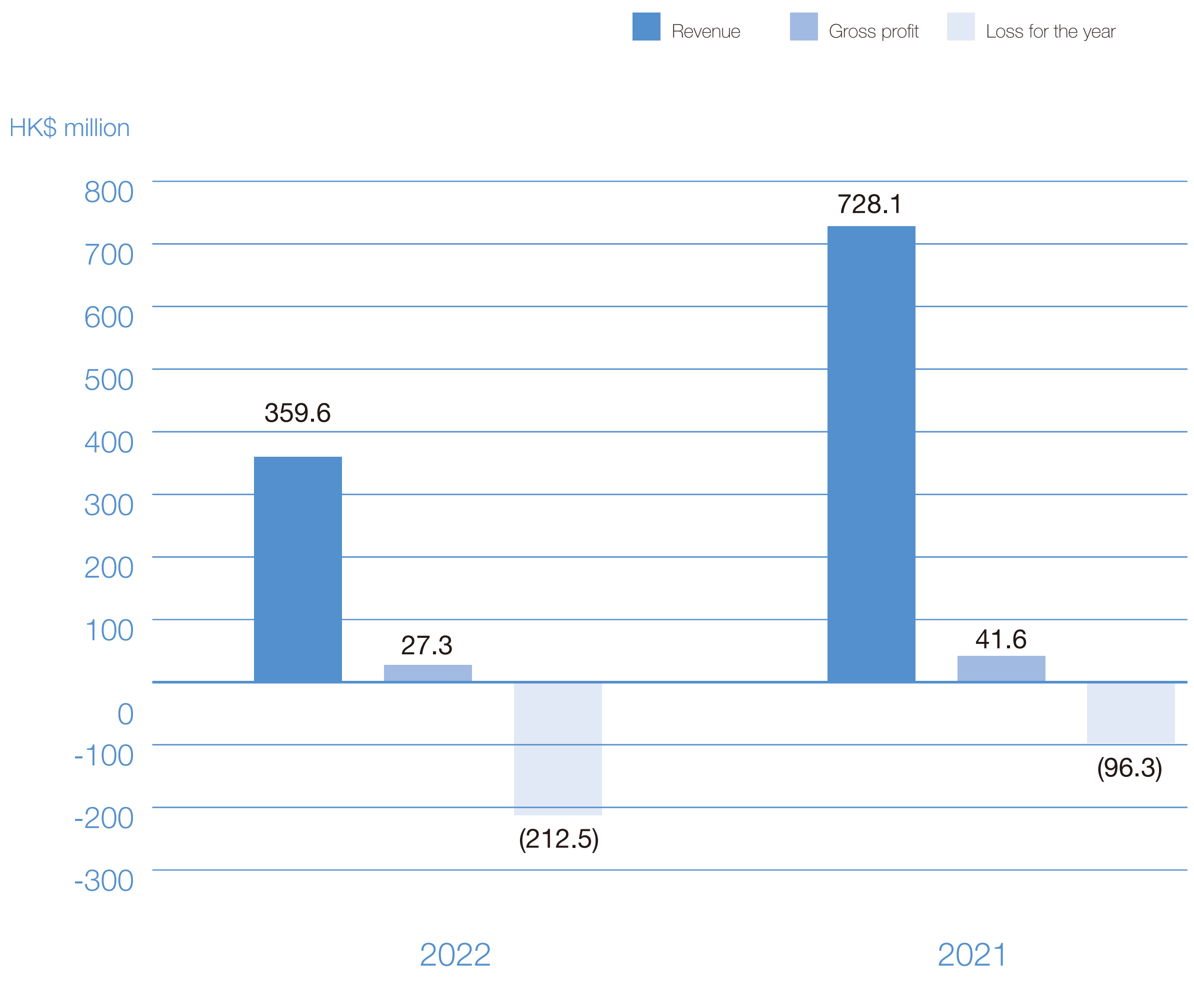
# FINANCIAL HIGHLIGHTS

| | 2022 | 2021 | Change % |
|---|---|---|---|
| Revenue (HK$'Mn) | **359.6** | 728.1 | (50.6) |
| Gross profit (HK$'Mn) | **27.3** | 41.6 | (34.4) |
| Loss for the year (HK$'Mn) | **(212.5)** | (96.3) | N/A |
| Loss attributable to owners of the Company (HK$'Mn) | **(212.5)** | (96.3) | N/A |
| Basic loss per share (HK cents) | **(13.9)** | (6.3) | N/A |
| Proposed final dividend per share (HK cents) | **–** | – | N/A |



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Wang Guicheng *(Chairman)*
*(Appointed on 31 October 2022)*
Mr. Tai Shubin
Mr. Zhang Zihua *(Resigned on 11 October 2022)*

### Independent non-executive Directors

Mr. Fan Yeran
Mr. Fong Wai Ho
Mr. Lo Kwing Yu

## COMPANY SECRETARY

Mr. Chan Sing Fai, ACG, HKACG, HKICPA

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1002, 10th Floor
Tower A, Cheung Kei Center
18 Hung Luen Road
Hung Hom
Kowloon
Hong Kong

## AUDITOR

Mazars CPA Limited
*Certified Public Accountants*
42nd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

## PRINCIPAL BANKERS

China Construction Bank Corporation
Bank of Jinzhou Co., Ltd.

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

## WEBSITE

www.global-sweeteners.com

## STOCK CODE

03889

# MESSAGE TO SHAREHOLDERS

Dear Shareholders,

China's economic development faced various internal and external challenges in 2022 with gross domestic product grew at 4.8% in the first quarter initially and gradually declined and finally down to 2.9% in the fourth quarter. The annual growth rate stood at 3%, which was the second lowest since the 1970s.

In most of time during the year under review, implementation of stringent pandemic control measures continued in mainland China. In particular, lockdown measures were carried out in various areas with sporadic outbreaks. Manufacturing, logistics and transportation as well as social activities in affected areas had been disrupted to varying degrees. Under the impact of intermittent lockdown measures, the pace of resumption of normal economic activities had come to a standstill. In December 2022, upon China's promulgation of the 10 new COVID-19 rules to fine-tune its pandemic control measures, economic activities in China in various areas gradually returned to normal. Business environment began to improve with recovery in consumption sentiment.

## BUSINESS REVIEW

Although global sugar production in the year 2021/22 slightly exceeded consumption level, as the Russo-Ukrainian war intensified, commodity prices in general surged. This together with rising global inflationary pressure had pushed up sugar price. With respect to the supply and demand situation in domestic market, due to insufficient domestic sugar production volume to satisfy consumption need during the year under review, China had to rely on imports to fill the gap. However, as the economic recovery in China slowed down, domestic sugar price fluctuations were relatively small.

During the year under review, in view of high corn price, coupled with an adverse business environment, the Group continued to suspend its upstream operations. Moreover, as all the upstream product inventory had been sold in the previous year, no sale of upstream products was recorded during the year under review.

The operation of the Group's production facilities in Shanghai had been suspended for almost two months since April 2022 due to the lockdown measures implemented in Shanghai. The plant gradually resumed production starting from the end of June 2022. Affected by the aforesaid pandemic control measures, the sales volume and revenue of the Group's sweetener products had significantly reduced during the year under review. However, as the price of sweetener products increased during the year under review and the portion of expenses in relation to suspension of operation had been allocated to other expenses, the Group's gross profit margin increased by 1.9 percentage points to 7.6%.

In addition, during the year under review, other income and gains of the Group decreased significantly due to the absence of the recognition of a one-off gain on debt restructuring as recorded for the previous year. As a result, there was a significant downward adjustment in the Group's operating results.

As mentioned in the joint announcement dated 6 April 2023 issued by the Company, its controlling shareholder Global Bio-chem Technology Group Company Limited ("**GBT**", together with its subsidiaries, the "**GBT Group**") and the strategic investors, namely, Mr. Kong Zhanpeng, a former executive director of the Company, and Mr. Wang Tieguang, a former director of GBT (collectively, the "**Joint Offerors**") regarding the strategic restructuring of the Group, the Joint Offerors will acquire 47.0% equity interests in the Company from the GBT Group. The Group will also transfer the entire equity interests in its two indirect wholly-owned subsidiaries, 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) to the GBT Group. Furthermore, the Company will issue convertible bonds to the Joint Offerors to obtain funds to repay part of the bank borrowings, with the aim to improve the Group's overall financial position, and to support the resumption of operations of the Group's Jinzhou production facilities. Upon the completion of the strategic restructuring of the Group, including the aforementioned transactions (the "**GSH Restructuring**"), the Group will cease to be a subsidiary of GBT, with the two companies each focusing on business direction in different areas. The Group can then focus its resources on the sweetener business in its Jinzhou and Shanghai production bases. In view of the expected improvement in the financial conditions and working capital of the Group and upon the clear delineation of the Group's business structure and assets away from GBT's, the Group's debt restructuring plan will advance to the final stage of completion.

## OUTLOOK

According to the National Bureau of Statistics, the added value of industrial enterprises above designated size in the first two months of 2023 increased by 2.4% year-on-year, representing an increment of 1.1 percentage points as compared to that in December 2022. Total retail sales of social consumer goods in China for the first two months of 2023 also rose by 3.5% year-on-year to RMB7.7 trillion. Such data indicated that the economy is rapidly recovering since China relaxed its COVID-19 control measures in December 2022. As the recovery of various industries accelerates, a number of leading international financial institutions expressed optimism on China's economic recovery, and raised their growth forecasts on China's economy to above 5% for 2023.

Nonetheless, uncertainties in the global economy still exist. As relations among nations grow tenser, international trade barriers intensify, while inflation and financial crisis and other risks are exacerbating. There will still be variables affecting the business environment in the coming year.

It is expected that corn price will remain high in 2023, while global sugar output increase will put downward pressure on sugar price. However, as China's economy is picking up its recovery momentum, it is expected to increase market demand which will in turn support the domestic sugar price.

Post-pandemic health awareness continues to grow among consumers. The Group is actively exploring ways to expand its product series, aiming to leverage its edge in research and development to develop sweeteners and related products in line with the concept of health and new generation food consumption preference.

In 2023, the Group's management will strive to expedite the implementation of the GSH Restructuring. Should the GSH Restructuring be completed, the Group's financial conditions will improve significantly. By then, the Group can focus its efforts and other resources on enhancing operational efficiency, and allow its business to regain growth momentum. In addition, the new shareholders (i.e. the Joint Offerors) have deep understanding of the Group's operations and the relevant markets, which can create synergistic effect with the Group's business.

The debt position of the Group is a problem that has been lingering the Group over the years is currently expected to be completely resolved by the end of 2023. The Group will monitor the macro economic conditions, market demand and its own cash flow to prudently plan for the schedule for the resumption of operation of the Jinzhou production base and strive to get its business back on track as soon as practicable.

We owe our gratitude to the local governments, which have been providing tremendous support to the Group's debt restructuring over the years, enabling the Group to carry out the relevant plan smoothly. We would also like to express our heartfelt thanks to creditor banks for their cooperation, business partners for their understanding, the Company's staff and its shareholders for persevering with the Group in difficult times throughout the entire process. The management will endeavour to get the Group's business back on track, and create value for shareholders.

*Chairman*
**Wang Guicheng**

30 March 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") are principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (which includes glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (which includes maltodextrin).

## BUSINESS REVIEW

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

During the year ended 31 December 2022 (the "**Year**"), as the impact of the coronavirus disease ("**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 People's Republic of China (the "**PRC**" or "**China**"), 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 the COVID-19 pandemic. Surging commodity and the 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, remained challenging throughout the Year.

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 as 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) by the end of 2022 (end of 2021: 593 US cents per bushel (equivalent to RMB1,487 per MT)). In the PRC, domestic corn harvest in 2022/23 is expected 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. China continued to import corn to make up for the shortfall in corn supply during the Year. 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 by the end of 2022 (end of 2021: RMB2,734 per MT). On the other hand, the implementation of strict pandemic control measures and the real estate crisis have slowed down the pace of economic recovery in China. It is not commercially viable for the Group to resume its upstream operation. As a result, the Group has continued to suspend its upstream operation during the Year.

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) by the end of 2022 (end of 2021: 18.88 US cents per pound (equivalent to RMB2,658 per MT)). It is estimated that sugar surplus will continue as global sugar production in 2022/23 is expected to reach 183.2 million MT with consumption estimated at 176.4 million MT. In the PRC, domestic sugar production was about 9.6 million MT in the 2021/22 harvest (2020/21: 10.7 million MT), while consumption stayed at around 15.5 million MT. Due to 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 by the end of 2022 (end of 2021: RMB5,834 per MT). In addition, the suspension of operation of the Group's production facilities in Shanghai in the second quarter of the Year (the "**Shanghai Temporary Suspension**") due to the lockdown measures implemented in Shanghai as disclosed in the joint announcement of the Company and Global Bio-chem Technology Group Company Limited ("**GBT**", together with its subsidiaries, the "**GBT Group**") dated 14 April 2022, together with the continued suspension of the Group's sweeteners production facilities in the Jinzhou and Xinglongshan sites, have substantially lowered the production output of the Group and negatively impacted the financial performance of the Group during the Year.

It is expected that the operating environment of the Group in 2023 will improve as China reopens to the world and the PRC economy gradually gets back on track. However, due to the shortage in corn supply, the PRC corn price is expected to remain high in 2023. As for the outlook on the sugar market, it is estimated that China will increase its sugar production to 10.1 million MT in the 2022/23 harvest with consumption estimated at 15.6 million MT in 2023. Although global sugar price is expected to turn bearish in 2023 due to increase in global production, the expectation that sugar demand will improve as China resumes normal economic activities may counterbalance part of the effect of 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, and that geopolitical complexity will continue to add uncertainty to the global economy. 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 operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence. In the long run, the Group will continue to strengthen its market position utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, and further improve cost effectiveness and product mix through continuous research and development efforts.

## 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 Mazars CPA Limited, the external auditor (the "**Auditor**") of the Company 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 (the "**Audit Committee**") of the Company 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 the consolidated financial statements on page 59 to page 61 of this report to improve the financial position of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

Further to the steps as outlined in note 2.2 to the consolidated financial statements, the management of the Company would like to provide further updates on the remedial measures:

## (1) Improvement of the Group's financial position via the implementation of the GSH Restructuring

Reference is made the joint announcement of the Company, GBT and Mr. Kong Zhanpeng and Mr. Wang Tieguang (collectively, the "**Joint Offerors**") dated 6 April 2023 (the "**Joint Announcement**") in relation to among others, the restructuring plan of the Group (the "**GSH Restructuring**"), which include (1) the entering into of the sales and purchase agreements (the "**Dihao SPAs**") dated 6 April 2023 between the Group and the GBT Group to transfer the Group's entire equity interests in 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**") and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) ("**Dihao Crystal Sugar**") to the GBT Group (the "**Dihao Transfer**"); (2) the entering into of the sale and purchase agreement (the "**GSH SPA**") dated 6 April 2023 between a wholly-owned subsidiary of GBT, Global Corn Bio-Chem Technology Company Limited ("**Global Corn Bio-Chem**") as seller and the Joint Offerors as purchasers for sales of 717,965,000 shares of the Company, representing approximately 47.0% of the issued share capital of the Company, (the "**GSH Sales Shares**") to the Joint Offerors (the "**GSH Disposal**"); and (3) the entering into of the subscription agreement between the Company and the Joint Offerors, as subscribers, for the subscription of the convertible bonds (the "**CB Subscription Agreement**") in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK$138.0 million) (the "**Convertible Bonds**") at the initial conversion price of HK$0.1 per conversion share (the "**CB Subscription**").

The GSH Restructuring, if completed, will (1) provide additional fund to settle the outstanding principal amount and outstanding interest accrued thereon due to 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) ("**Jinzhou CCB**") and improve the financial position and gearing level of the Group; (2) further enhance the working capital position of the Group and prepare for the resumption of operations of the Jinzhou production site so as to improve the Group's operating cash flow; and (3) release the Group from the obligations in relation to the resumption of properties in Luyuan District and the debt restructuring plan so that the Group can focus its resources on the operations in its Shanghai and Jinzhou sites. For details of the GSH Restructuring, please refer to the Joint Announcement.

Following the change in control of the Group as a result of the completion of the GSH Disposal, the new controlling shareholders (i.e. the Joint Offerors) of the Company are expected to provide financing and/or assistance to the Group to address its funding needs. The board (the "**Board**") of the directors (the "**Directors**") of the Company expects that the GSH Restructuring will help to relieve the financial and cash flow pressure of the Group in long run.

## (2) Streamlining corporate structure to facilitate the smooth negotiation and implementation of the debt restructuring plan

As announced by the Company and GBT on 23 December 2020, among others, 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**") announced that 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 Ltd.*) ("**Nongan Branch ABC**")) has entered into a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**Jilin Cinda**") to transfer all rights and benefits of the loans owed by, among others, the Group and the GBT Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") to Jilin Cinda at a consideration of approximately RMB414.7 million. The ABC Transferred Loans include, among others, the fixed-term loan under a loan agreement entered into between Dihao Foodstuff and Nongan Branch ABC with outstanding principal amount of RMB180.0 million, together with respective outstanding interest. Subsequent to the transfer of the ABC Transferred Loans, the Group and the GBT Group continued to negotiate with the relevant parties, including the lenders and 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province*) ("**Jilin SASAC**") for the next step of the debt restructuring plan. As mention in (1) above, the GSH Restructuring, if realised as planned, the Group's financial position will improve as the portion of the ABC Transferred Loans owed by the Group will be transferred to the GBT Group. It would also facilitate the GBT Group to efficiently negotiate with the relevant parties for the next step of debt restructuring plan without involving the management 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.

## FINANCIAL PERFORMANCE

During the Year, the Group has continued to suspend the operation of the production facilities as detailed in the Company's announcements dated 24 September 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, the Shanghai Temporary Suspension has caused reduction in the sales volume of the Group by 51.7% to 86,000 MT (2021: 178,000 MT) during the Year. Consequently, the revenue and gross profit of the Group had dropped significantly by approximate 50.6% and 34.4% respectively to approximately HK$359.6 million (2021: HK$728.1 million) and HK$27.3 million (2021: HK$41.6 million) respectively during the Year. Despite the declines in revenue and gross profit, due to the improvement of the average selling price of sweeteners during the Year, the Group's gross profit margin increased by 1.9 percentage points to 7.6% (2021: 5.7%).

On the other hand, other income and gains of the Group decreased significantly during the Year by approximately HK$129.4 million to approximately HK$16.3 million (2021: HK$145.7 million). Such decrease was mainly attributable to the absence of the recognition of items similar to the one-off gain on debt restructuring which amounted to approximately HK$128.3 million recorded for the year ended 31 December 2021 subsequent to the completion of the repurchase agreements dated 26 March 2021 entered into between a subsidiary of the Company and 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) (the "**GSH Repurchase Agreements**") which took place on 31 March 2021, details of which are further set out in the joint announcements of the Company and GBT dated 26 March 2021 and 31 March 2021. As such, the Group recorded a net loss of HK$212.5 million (2021: HK$96.3 million) and LBITDA (i.e., loss before interest, taxation, depreciation and amortisation) of approximately HK$74.6 million (2021: EBITDA (i.e., earnings before interest, taxation, depreciation and amortisation): HK$48.2 million) for the Year.

To improve the performance and the financial position of the Group, the management of the Group will endeavour to facilitate the completion of the GSH Restructuring as announced in the Joint Announcement, in relation to, among others, the Dihao Transfer and the CB Subscription. The GSH Restructuring, if completed, will (1) provide additional fund to settle the loans under disputes with banks and thus improve financial position and gearing level of the Group; (2) enhance the working capital position of the Group and prepare for the resumption of operations of the Jinzhou production site so as to improve the Group's operating cash flow; and (3) release the Group from its obligations in relation to the resumption of land and properties in Luyuan District and the debt restructuring plan so that the Group can focus its resources on the operations in its Shanghai and Jinzhou sites.

### Upstream products

(Sales amount: Nil (2021: HK$0.8 million))
(Gross profit: Nil (2021: HK$0.1 million))

During the Year, no sale of upstream products was recorded as the Group suspended all its upstream operations to minimise financial risks and secure financial resources during the time of economic uncertainty while its inventory had been fully sold in 2021. As a result, no revenue from the sale of corn starch and other corn refined products (2021: Nil and HK$0.8 million) were recorded during the Year. No internal consumption of corn starch was recorded during the Year (2021: Nil).

### Corn sweeteners

#### *Corn syrup*

(Sales amount: HK$313.8 million (2021: HK$624.4 million))
(Gross profit: HK$20.1 million (2021: HK$35.9 million))

As a result of the Shanghai Temporary Suspension together with the continued suspension of the Group's sweeteners production facilities in the Jinzhou and Xinglongshan sites with most of their inventories exhausted prior to the Year, the revenue of the corn syrup segment decreased by approximately 49.7% to approximately HK$313.8 million (2021: HK$624.4 million). Such decrease was mainly attributable to the decrease in sales volume by approximately 50.3% to approximately 74,000 MT (2021: 149,000 MT). As the portion of expenses in relation to suspension of operation during the Year has been allocated to other expenses and the increase in the selling price of corn syrup was sufficient to offset the increase in the raw material cost during the Year, the corn syrup segment recorded gross profit of approximately HK$20.1 million (2021: HK$35.9 million) for the Year, with gross profit margin increased to 6.4% (2021: 5.7%).

#### *Corn syrup solid*

(Sales amount: HK$45.8 million (2021: HK$102.9 million))
(Gross profit: HK$7.2 million (2021: HK$5.6 million))

During the Year, the sales volume of corn syrup solid, which was entirely maltodextrin, declined by approximately 58.6% to approximately 12,000 MT (2021: 29,000 MT) as a result of the Shanghai Temporary Suspension and the continued suspension of the Group's sweeteners production facilities in the Jinzhou and Xinglongshan sites with most of their inventories exhausted prior to the Year. The revenue of maltodextrin decreased by approximately 55.5% to approximately HK$45.8 million (2021: HK$102.9 million). As the portion of expenses in relation to suspension of operation during the Year has been allocated to other expenses and the increase in selling price of corn syrup solid outweighed the rising raw material cost, the gross profit and gross profit margin of the corn syrup solid segment increased to approximately HK$7.2 million (2021: HK$5.6 million) and 15.7% (2021: 5.4%), respectively.

### Export sales

During the Year, export sales accounted for approximately 3.6% (2021: 2.0%) of the Group's total revenue. The Group exported approximately 3,000 MT (2021: 3,000 MT) of corn sweeteners with sales amount of approximately HK$13.0 million (2021: HK$14.7 million) during the Year. No export sales of upstream corn refined products were recorded during the Year and previous year.

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

#### *Other income and gains*

During the Year, other income and gains of the Group decreased by approximately 88.8% to approximately HK$16.3 million (2021: HK$145.7 million) as a result of the absence of the recognition of items such as one-off gain on debt restructuring of approximately HK$128.3 million subsequent to the completion of the GSH Repurchase Agreements in 2021.

***Selling and distribution costs***

During the Year, the selling and distribution costs dropped by approximately 39.5% to approximately HK$32.1 million (2021: HK$53.1 million), accounting for approximately 8.9% (2021: 7.3%) of the Group's revenue. Such decrease was mainly attributable to the decrease in transportation costs as a result of the significant decline in sales volume during the Year.

***Administrative expenses***

During the Year, administrative expenses increased by approximately 5.6% to approximately HK$97.8 million (2021: HK$92.6 million). Such increase was mainly the result of additional depreciation incurred in relation to the appreciation of building of which revaluation work has been done at the end of 2021.

***Other expenses***

Other expenses of the Group increased to approximately HK$64.6 million (2021: HK$61.6 million) during the Year. Such increase was mainly attributable to the increase in expenses in relation to the idle capacity of certain production facilities as a result of the Shanghai Temporary Suspension.

***Finance costs***

During the Year, finance costs of the Group dropped by approximately 11.4% to approximately HK$69.0 million (2021: HK$77.9 million). Such decrease was mainly attributable to the decrease in interest on trade payables of HK$9.5 million subsequent to the settlement of long outstanding interest bearing trade payables by the Group during the Year.

***Income tax credit***

Due to the recognition of temporary differences, the Group recorded deferred tax credit of approximately HK$7.4 million (2021: HK$1.6 million) during the Year. Meanwhile, as all the subsidiaries of the Group recorded tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward during the Year, no income tax expenses were recorded for the Year (2021: Nil). As a result, the Group recorded tax credit of approximately HK$7.4 million (2021: HK$1.6 million) during the Year.

***Net loss attributable to shareholders***

As a result of the decrease in gross profit and other income and gains during the Year for reasons set out above, the Group recorded a net loss of approximately HK$212.5 million (2021: HK$96.3 million) for the Year.

## FINANCIAL RESOURCES AND LIQUIDITY

### Net borrowing position

The total borrowings as at 31 December 2022 decreased by approximately HK$132.1 million to approximately HK$795.4 million (31 December 2021: HK$927.5 million). The change in total borrowings was mainly attributable to net repayment of certain bank and other borrowings of approximately HK$68.9 million and exchange rate adjustment of approximately HK$63.2 million during the Year. On the other hand, cash and bank balances which were mainly denominated in Renminbi and Hong Kong dollars decreased by approximately HK$3.5 million to approximately HK$4.3 million (31 December 2021: HK$7.8 million, mainly denominated in Renminbi and Hong Kong dollars) as at 31 December 2022. Consequently, the net borrowings decreased to approximately HK$791.1 million (31 December 2021: HK$919.7 million).

### Structure of interest-bearing bank and other borrowings

As at 31 December 2022, the Group's bank and other borrowings of approximately HK$795.4 million (31 December 2021: HK$927.5 million) were all (31 December 2021: all) denominated in Renminbi. All (31 December 2021: all) of the Group's interest-bearing bank and other borrowings were wholly repayable within one year. As at 31 December 2022, interest-bearing bank and other borrowings amounted to approximately HK$241.5 million (31 December 2021: HK$271.3 million) have been charged at fixed interest rates of 7.0% to 8.0% (31 December 2021: 5.8% to 8.0% per annum) for terms of 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.

### Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Year, trade receivables turnover days remained at approximately 50 days (31 December 2021: 50 days).

Trade payables turnover days increased to approximately 94 days (31 December 2021: 61 days) during the Year as the Group has negotiated with suppliers to extend the credit terms.

As at 31 December 2022, the Group's inventory turnover days increased to approximately 47 days (31 December 2021: 35 days) for the Year as the Group prepared sufficient inventory before the Chinese New Year in January 2023.

As at 31 December 2022, the current ratio and quick ratio were approximately 0.09 (31 December 2021: 0.19) and approximately 0.06 (31 December 2021: 0.14) respectively. Gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total assets (i.e. sum of current assets and non-current assets) was approximately 115.8% (31 December 2021: 99.2%).

## MAJOR INVESTMENTS

The Group had no material investments as at 31 December 2022 and no future plans for material investments or capital assets as at the date of this report.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Year.

## CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

## CHARGE ON ASSETS

As at 31 December 2022, the Group's interest-bearing bank and other borrowings amounted to approximately HK$575,011,000 (31 December 2021: HK$653,394,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group which amounted to approximately HK$302,678,000 (31 December 2021: HK$415,448,000) and HK$13,244,000 (31 December 2021: HK$56,127,000) respectively, and a receivable of the subsidiaries of the GBT Group which amounted to approximately HK$113,636,000 (31 December 2021: HK$121,951,000).

## FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for approximately 3.6% (2021: 2.0%) of the Group's revenue in which most of these transactions were denominated in US Dollars. 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 fluctuations. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

## IMPORTANT TRANSACTION DURING THE YEAR

### The Subscription

In order to raise fund for general working capital purposes and to relieve part of the financial pressure from bank borrowings, the Company entered into a subscription agreement (the "**Subscription Agreement**") with Hartington Profits Limited ("**Hartington Profits**" or the "**Subscriber**"), a company incorporated in British Virgin Islands with limited liability, on 24 July 2022, pursuant to which Hartington Profits has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 305,517,200 new ordinary shares (the "**Subscription Shares**") at the subscription price of HK$0.1 per Subscription Share (the "**Subscription**"). The closing price of the shares of the Company on 22 July 2022, being the last trading day prior to the date of the Subscription Agreement, was HK$0.078. The gross proceeds from the Subscription will amount to approximately HK$30,551,720 with nominal value amounting to HK$30,551,720. The net proceeds from the Subscription, after the deduction of relevant expenses, is estimated to be approximately HK$30,000,000 and the net price of each Subscription Share is estimated to be approximately HK$0.098. The Subscription Shares represent 20.0% of the total issued share capital of the Company immediately before the completion of the Subscription and approximately 16.7% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Company intends to use the net proceeds from the Subscription as follows: approximately (i) HK$10.0 million for repayment of bank and other borrowings/payables of the Group's PRC subsidiaries; and (ii) HK$20.0 million for the procurement of corn and other operational expenses. The Subscription has subsequently been terminated after the Year on 28 February 2023. For further details of the Subscription and its termination, please refer to the paragraph headed "Important events affecting the Group subsequent to the year under review — Termination of the Subscription" in this report and the announcements of the Company dated 24 July 2022, 30 December 2022 and 28 February 2023.

## IMPORTANT EVENTS AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

### Termination of the Subscription

As announced by the Company on 28 February 2023, as the conditions precedent under the Subscription Agreement have not been fully fulfilled (or waived by the Subscriber, as the case may be) on or before the extended long stop date of the Subscription Agreement (i.e. 28 February 2023) and there has not been any agreement to further extend the long stop date, the Subscription Agreement has therefore been terminated and all obligations of the Company and the Subscriber under the Subscription Agreement have ceased and determined. For further details of the termination of the Subscription, please refer to the announcement of the Company dated 28 February 2023.

## GSH Restructuring

### *The Dihao Transfer*

On 6 April 2023 (after trading hours), (i) Global Sweeteners (China) Limited (the "**Dihao Vendor A**") and Global Starch (Changchun) Investments Limited (the "**Dihao Vendor B**"), each a wholly-owned subsidiary of the Company, as vendors, and Global Bio-Chem Technology (HK) Limited (the "**Dihao Purchaser**"), a direct wholly-owned subsidiary of GBT, as purchaser, entered into a sale and purchase agreement (the "**Dihao SPA I**"), pursuant to which, among others, the Dihao Vendor A and the Dihao Vendor B have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in Dihao Foodstuff, at the consideration of RMB1.0; and (ii) the Dihao Vendor A and Global Sorbitol (H.K.) Company Limited (the "**Dihao Vendor C**"), also a wholly-owned subsidiary of the Company, as vendors, and the Dihao Purchaser, as purchaser, entered into a sale and purchase agreement (the "**Dihao SPA II**", together with the Dihao SPA I, the "**Dihao SPAs**"), pursuant to which, among others, the Dihao Vendor A and the Dihao Vendor C have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in Dihao Crystal Sugar, at the consideration of RMB1.0.

Upon the completion of the Dihao Transfer (the "**Dihao Completion**"), each of Dihao Foodstuff and Dihao Crystal Sugar will cease to be a subsidiary of the Company and become part of the GBT Group (excluding the Group).

### *Provision of Counter-Guarantee and Indemnity by the Company to GBT Group (excluding the Group)*

Pursuant to a term of the Dihao SPAs, the Company shall execute and deliver to GBT and Dihao Foodstuff a deed of counter-guarantee (the "**GSH Counter-guarantee**") at Dihao Completion, such that the Company will, among others, provide counter-guarantee and indemnity to GBT and Dihao Foodstuff in respect of the obligations and liabilities GBT and Dihao Foodstuff may incur and suffer under the guarantees provided by GBT and/or Dihao Foodstuff to Jinzhou CCB and 錦州銀行股份有限公司鐵北支行(Tiebei Branch of Bank of Jinzhou Co., Ltd.*) (the "**Tiebei BOJ**") in respect of the debts owed or to be owed by 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**"), to Jinzhou CCB and Tiebei BOJ, in the principal amount of approximately RMB401.5 million and the interest accrued thereon, under the guarantee agreements dated 13 September 2018, 20 May 2019 and 27 December 2021.

### *The CB Subscription*

On 6 April 2023 (after trading hours), the Company entered into the CB Subscription Agreement with the Joint Offerors, as subscribers, pursuant to which the Company has conditionally agreed to issue, and the Joint Offerors, have conditionally agreed to subscribe for, the 3 year, 5 per cent Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK$138.0 million), which may be converted into a total of 1,380,000,000 new ordinary share(s) of HK$0.1 each (the "**Conversion Shares**") to be allotted and issued by the Company pursuant to the exercise of the conversion right attached to the Convertible Bonds at an initial conversion price of HK$0.1 per Conversion Share (the "**Conversion Price**"), subject to the adjustment pursuant to the terms and conditions of the Convertible Bonds. The initial Conversion Price per Conversion Share represents: (i) a premium of approximately 16.3% over the closing price of HK$0.086 per share of the Company as quoted on the Stock Exchange on the date of the CB Subscription Agreement. The net Conversion Price, after deduction of relevant expenses, is approximately HK$0.1 per Conversion Share. The gross proceeds and the net proceeds from the issue of the Convertible Bonds will be RMB120.0 million (equivalent to approximately HK$138.0 million). The Company intends to use the net proceeds as follows: (i) RMB60.0 million for repayment of the first installment of the loans from Jinzhou CCB to Jinzhou Yuancheng (the aggregate principal amount being RMB189.9 million in total) (the "**Yuancheng CCB Loans**"); and (ii) RMB60.0 million for the preparation for the resumption of Jinzhou production facilities such as the expenses in relation to trial run and the procurement of raw materials.

***Possible mandatory unconditional general offer***

Upon the completion of the GSH Disposal (the "**GSH Completion**"), the Joint Offerors and parties acting in concert with them will become interested in a total of 777,673,000 shares of the Company, representing approximately 50.91% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers published by the Securities and Futures Commission (the "**Takeovers Code**"), upon the GSH Completion, the Joint Offerors and the parties acting in concert with them will be required to make a mandatory unconditional general offer in cash (the "**Offer**") for all the issued shares of the Company (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them) (the "**Offer Shares**").

Subject to and upon the GSH Completion, CCB International Capital Limited and China Galaxy International Securities (Hong Kong) Co., Limited will make the Offer for and on behalf of the Joint Offerors on the terms to be set out in the composite document to be despatched to the shareholders of the Company (the "**Shareholders**") in compliance with the Takeovers Code on the basis of HK$0.06 in cash for every Offer Share (the "**Offer Price**"). The Offer Price is the same as the price per GSH Sale Share payable by the Joint Offerors under the GSH SPA.

For further details of the GSH Restructuring (including the Dihao Transfer and the CB Subscription), the GSH Counter-guarantee and the possible Offer, please refer to the Joint Announcement.

## FUTURE PLANS AND PROSPECTS

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

Meanwhile, 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 operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence.

The Group will continue to strengthen its market position 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 the cost effectiveness and product mix through continuous research and development efforts.

With respect to the financial position of the Group, the management will endeavour to facilitate the completion of the GSH Restructuring in relation to, among others, the Dihao Transfer and the CB Subscription to improve the financial position of the Group and adopt a prudent approach in face of the current market condition.

## NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2022, the Group had approximately 890 (2021: 930) full time employees in Hong Kong and in the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the 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. For the Year, staff costs (including Directors' remuneration) of the Group amounted to approximately HK$91,484,000 (2021: approximately HK$99,728,000).

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Wang Guicheng**, aged 55, was appointed as an executive Director and the chairman of the Board on 31 October 2022. Mr. Wang graduated from 吉林工商學院 (Jilin Business and Technology College*) (formerly known as 吉林糧食高等專科學校 (Jilin Grain College*)) in July 1990, majoring in grain storage and analysis. Mr. Wang has over 32 years of experience in the agricultural industry. Mr. Wang joined 長春大成玉米開發有限公司 (Changchun Dacheng Corn Development Company Limited*), a subsidiary of GBT, as quality inspection officer in April 1997. Mr. Wang has then served various senior positions in the Group and the GBT Group and has actively engaged in operational management and the development of production technology. In March 2017, Mr. Wang was appointed as the deputy general manager of the production and operation department of both the Group and the GBT Group, overseeing the overall production operation of the Group and the GBT Group. In December 2018, Mr. Wang has been promoted to the chief operating officer (the "**COO**") of both the Group and the GBT Group and has been serving in this capacity since then. Mr. Wang was also appointed as an executive director of GBT on 31 October 2022.

**Mr. Tai Shubin**, aged 42, has been appointed as an executive Director on 17 December 2020. Mr. Tai graduated from 吉林工商學院 (Jilin Business and Technology College*) (formerly known as 吉林糧食高等專科學校 (Jilin Grain College*)) in July 2004 majoring in financial management. In December 2014, he obtained a Bachelor's degree in social work and management from Jilin University. Mr. Tai was qualified as a senior management accountant (高級管理會計師) in the PRC in October 2020 and International Certified Public Accountant from 中國企業財務管理協會 (Enterprise Financial Management Association of China) in September 2021. Mr. Tai has over 17 years of experience in accounting and financial management and served in various capacities in different state-owned enterprises in Jilin Province's agricultural sector, including 吉林吉糧平安米業有限公司 (Jilin Jiliang Ping'an Rice Industry Co., Ltd.*), 吉林糧食資產管理有限公司 (Jilin Grain Asset Management Co., Ltd.*) and 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**"). Mr. Tai has been a director of Nongtou since August 2016. Mr. Tai was the financial controller for mainland China region of GBT between July 2018 and October 2022 and has been promoted to the deputy general manager for mainland China region of GBT in October 2022.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Fan Yeran**, aged 30, is a legal consultant of 吉林達信律師事務所 (Jilin Daxin Law Firm*). Mr. Fan graduated from Northeast Electric Power University in 2016, majoring in electrical engineering. He passed the National Judicial Examination in 2017 and attained a Master's degree in law from Jilin University in June 2022. Mr. Fan has been working in the legal field since 2016, with expertise in corporate legal advisory, investments and mergers and acquisitions. Mr. Fan was appointed as an independent non-executive Director in July 2020.

**Mr. Fong Wai Ho**, aged 42, obtained a Bachelor's degree in business administration with honours in accountancy and management information systems from the City University of Hong Kong in 2004. Mr. Fong obtained his qualification from Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") in 2010 and has become a practising Certified Public Accountant in Hong Kong since 2013, a member of the Association of Chartered Certified Accountants since 2015, a fellow of the HKICPA since 2017. Mr. Fong has become members of the Chartered Professional Accountants of British Columbia and the Chartered Professional Accountants of Canada since 2018 and was a member of CPA Australia from July 2019 to January 2022. Mr. Fong has over 18 years of experience in accounting, auditing and financing aspects. Mr. Fong is the founder and practitioner of UBC & Co., Certified Public Accountants and a practising director of UBC & Co., Certified Public Accountants Limited. Mr. Fong was the practising director of Andes Glacier CPA Limited from March 2017 to March 2020. Mr. Fong is currently an independent non-executive director of Perennial Energy Holdings Limited (Stock Code: 02798) and Great Wall Terroir Holdings Limited (Stock Code: 00524), both are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Fong was also an independent non-executive director of CT Environmental Group Limited (Stock Code: 01363, which was delisted from the Main Board of the Stock Exchange with effect from 10 September 2021) between 3 August 2020 and 15 September 2021. Mr. Fong was appointed as an independent non-executive Director in December 2018.

**Mr. Lo Kwing Yu**, aged 59, holds a Bachelor's degree in law and economics from the University of Keele, the United Kingdom. Mr. Lo is a solicitor and has been in private practice in Hong Kong since 1995. He was first admitted as a solicitor in England and Wales and then admitted as solicitor of the Supreme Court of Hong Kong and of the Eastern Caribbean Supreme Court in the Territory in the Virgin Islands. Mr. Lo is a consultant of Messrs. Ho and Ip. Mr. Lo was appointed as an independent non-executive Director in March 2014.

## SENIOR MANAGEMENT

**Mr. Chan Sing Fai**, aged 39, is the financial controller and company secretary of the Company, and has over 15 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor's degree with honours in accountancy in 2007 and attained a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in 2015. Mr. Chan is a member of the HKICPA and an associate member of The Hong Kong Chartered Governance Institute. Mr. Chan has served the Group for over 10 years. He has also been serving as the company secretary and the financial controller of GBT since April 2018.

**Mr. He Xiaoming**, aged 49, is the deputy general manager and financial controller of the Group's Shanghai production site. Mr. He attained a Bachelor's degree with honours in accountancy from Jiangxi University of Technology in 2016. He joined the Group in December 2000 and served as accounting supervisor in Shanghai Haocheng Food Development Company Limited. Mr. He has over 29 years of experience in finance and accounting.

**Mr. Meng Xiangyan**, aged 50, joined the Group in February 2005 and has extensive experience in production engineering as well as corn refinery and sweeteners industries. Mr. Meng was appointed as the deputy general manager of the Group's Changchun production site in December 2017. He is currently the general manager of the Group's Shanghai production site.

# CORPORATE GOVERNANCE REPORT

The Company is committed to ensuring high standards of corporate governance in the interests of its Shareholders and devoting considerable effort to identify and formalise best practices.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

To the best knowledge and belief of the Board, save as the deviation from code provision C.2.1 of part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange that was in force during the Year, further details of which are set out in the section headed "Chairman and Chief Executive Officer" in page 23 of this report, the Company has applied and complied with all code provisions in as set out in part 2 of the CG Code.

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

## BOARD OF DIRECTORS

The individual attendance record of the Directors at Board meetings, Board committee meetings and general meetings during the Year are as follows:

| | Meetings held and attended by the Directors | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name of Directors | Board meeting | Audit Committee meeting | Nomination committee meeting | Remuneration committee meeting | Continuing connected transactions executive committee meeting (c) | Continuing connected transactions supervisory committee meeting | Corporate governance committee meeting | Annual general meeting |
| **Executive Directors** | | | | | | | | |
| Wang Guicheng *(Chairman)* (a) | 1/1 | | 1/1 | 1/1 | | | 1/1 | – |
| Tai Shubin | 9/9 | | | | | | | 1/1 |
| Zhang Zihua (b) | 6/7 | | – | – | | | – | 1/1 |
| **Independent Non-executive Directors** | | | | | | | | |
| Fan Yeran | 9/9 | 4/4 | 2/2 | 2/2 | | 1/1 | 1/1 | 1/1 |
| Fong Wai Ho | 9/9 | 4/4 | | | | 1/1 | 1/1 | 1/1 |
| Lo Kwing Yu | 9/9 | 4/4 | 2/2 | 2/2 | | 1/1 | | 1/1 |

Remarks:

(a) Mr. Wang Guicheng was appointed as an executive Director, the chairman of the Board, the chairman of the nomination committee (the "**Nomination Committee**") of the Company and a member of each of the remuneration committee (the "**Remuneration Committee**") of the Company and the corporate governance committee (the "**Corporate Governance Committee**") of the Company on 31 October 2022.

(b) Mr. Zhang Zihua resigned as an executive Director, the acting chairman of the Board, the chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Corporate Governance Committee on 11 October 2022.

(c) The current members of the continuing connected transactions executive committee (the "**CCT Executive Committee**") of the Company are members of the senior management of the Group.

As of the date of this report, the Board comprises five Directors, being two executive Directors and three independent non-executive Directors. There is no relationship (including financial, business, family or other material/relevant relationship) between any of the Directors. Details of the biographies of individual Directors and their range of specialist experience and expertise are set out on page 16 to page 17 of this report.

The Company believes its independent non-executive Directors comprise a synergy of accounting and legal experts. The Board believes such composition is ideally qualified to advise the management team on future strategic development, financial and other statutory requirements, and to guard the Shareholders' interest.

The Company has established sound mechanism(s) to ensure that the Board has a strong independent element and that independent views and input are available to the Board, and the mechanism(s) will be reviewed annually time to time to ensure that they are effective. The mechanism(s) for enhancing the independence of the Board are incorporated in our recruitment and selection process of independent non-executive Directors as set out below:

### Recruitment process of independent non-executive Directors

When recruiting independent non-executive Directors, the Company will give special consideration to the time the candidates for the role of independent non-executive Directors can devote and/or contributions they can bring to the Company, as well as their professional qualifications. In considering the suitability of each candidate, the Company will take into account the time each candidate can spend in attending to the matters of the Company. With respect to this, the Company will consider the time spent/contributed by each candidate in other roles taken up by them, including:

- directorship(s) at other issuer(s) undergoing a period with particularly active transactions, such as acquisition(s) or takeover(s);
- chairing the board(s) and/or board committee(s) of other issuer(s);
- membership(s) of board committee(s) of other issuer(s);
- acting as chief executive officer or full-time executive director for other issuer(s); and
- being an independent non-executive director for multiple boards and taking up significant commitments at governmental or non-profit making organisations.

On top of the above, areas of expertise and skills the Company considers for each candidate for the role of individual independent non-executive Directors may include accounting and auditing, compliance, ethics, internal controls, legal, risk management, technical knowledge, people management, business strategy and investments. The Company will also take into consideration whether the relevant expertise of each candidate is consistent with the Company's corporate culture, values and strategies.

### Number of independent non-executive Directors

According to rule 3.10 and 3.10A of the Listing Rules, the Board must: (1) include at least three independent non-executive Directors and at least one of the them must have appropriate professional qualifications or accounting or related financial management expertise; and (2) appoint independent non-executive Directors representing at least one-third of the Board. In compliance with abovementioned Listing Rules, the Board has three independent non-executive Directors, representing more than one-third of the Board. Among the three of them, Mr. Fong Wai Ho, being a member of the HKICPA, has the appropriate professional accounting qualifications and related financial management experience.

### Independence of the long serving independent non-executive Directors

Pursuant to code provision B.2.3 to part 2 of the CG Code, if an independent non-executive Director has served more than nine years, such Director's further appointment should be subject to a separate resolution to be approved by the Shareholders. The papers to the Shareholders accompanying that resolution should state why the Board (or the Nomination Committee) believes that the Director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the Nomination Committee) in arriving at such determination. As at the date of this report, one of the independent non-executive Directors has served for more than nine years in the Board. Mr. Lo Kwing Yu has been appointed as an independent non-executive Director since 3 March 2014 and has served more than nine years in the Board. The Board is of the opinion that Mr. Lo remains independent notwithstanding the length of his services and believes that his valuable experience, knowledge and expertise can enhance the operational efficiency and diversification of the Company and maintain the stability of the Board as a whole.

### External independent professional advice

In order to ensure that independent views are available to the Directors, the Directors, in addition to their own expert advice, may also obtain external independent professional advice to assist them when carrying out their duties.

### Review the independence of independent non-executive Directors annually

The Company reviews the independence of independent non-executive Directors at least annually (including requiring each independent non-executive Director to confirm through the execution of an independence declaration confirmation letter) and reviews the number and composition (including skills, knowledge and experience), and makes any recommendations in relation to the appointment, re-election or removal of independent non-executive Directors in accordance with the Company's strategy and proposes changes to the Board.

The Board has received written confirmation from each independent non-executive Director regarding each of their independence pursuant to rule 3.13 of the Listing Rules. As of the date of this report, the Company considers all independent non-executive Directors to be independent.

## BOARD DIVERSITY

The Company recognises and embraces the benefits of building a diverse and inclusive Board, and has adopted the board diversity policy to increase diversity at Board level continuously, in order to achieve and maintain its sustainable development and competitive advantage.

The board diversity policy has been considered from a range of diversity perspectives, including but not limited to race, gender, age, ethnicity, educational background, professional expertise, industry experience, management function and length of service. These aspects will be considered in determining the optimum composition of the Board and should be balanced appropriately when possible and necessary. The Nomination Committee will monitor the implementation and effectiveness of the board diversity policy and report to the Board annually.

Underpinned by meritocracy, the Board appointments will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The Board annually discusses and establishes measurable objectives for achieving diversity on the Board. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

With reference to the business needs of the Group, the following measurable objectives have been set for implementing the board diversity policy:

1) At least one female member on the Board;

2) A prescribed proportion of independent non-executive Directors on the Board;

3) A prescribed proportion of members on the Board holding bachelor's degree or above;

4) A prescribed proportion of members on the Board possessing accounting or other professional qualifications;

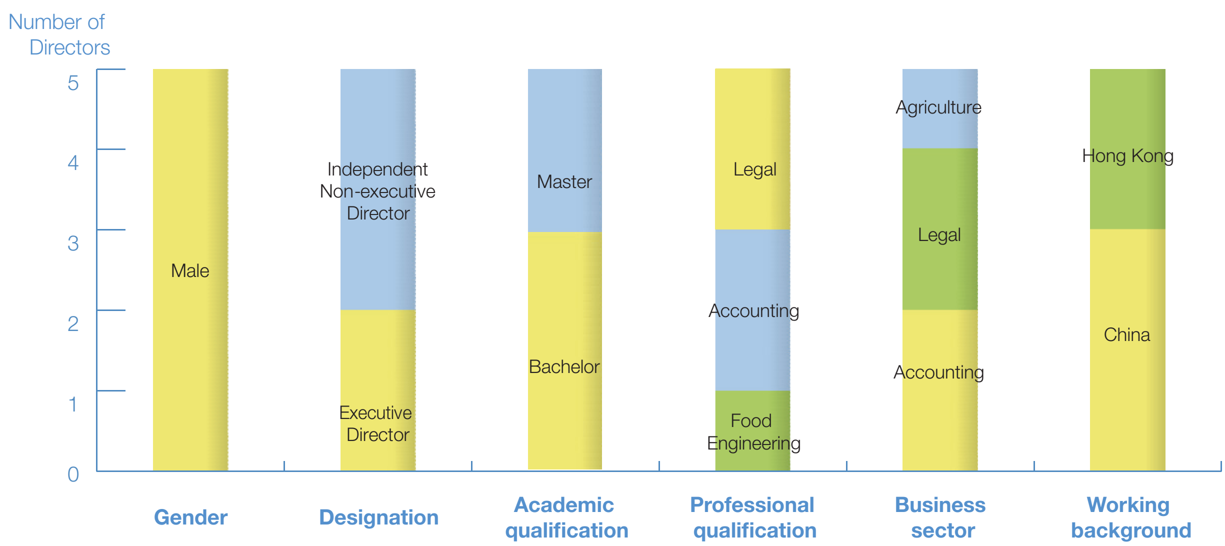
5) A prescribed proportion of members on the Board possessing experience in the industry he/she is specialised in; and

6) A prescribed proportion of members on the Board possessing China-related work experience.

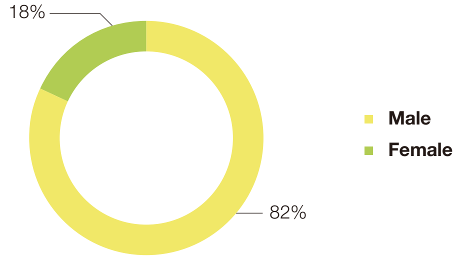
During the Year, the Group has achieved all of the above measurable objectives set for implementing the board diversity policy save for the objective to have a at least one female member on the Board. The Board is aware that under the revised rule 13.92 of the Listing Rules, a single gender board with not be considered to have achieved gender diversity, and the Group aims to further improve the diversity of the Board by appointing at least one female member on the Board before 31 December 2024 being the end of the transitional period as specified by the Stock Exchange.

In order to achieve gender diversity in Board succession, the Company would also put further emphasis on gender balance and gender equality in future recruitments, so that sufficient potential candidates of different gender are in place to fill the vacancy of the Board, when necessary.

Up to the date of this report, composition of the Board is disclosed as below:



Up to the date of this report, below chart shows an overview of the Group's employment structure in terms of gender diversity (including senior management):




Given the nature of the Group's business and the industry the Group operates in remain heavily reliant on machines operation and manual labour, it is expected equality of gender ratio will be difficult to achieve within the Group. However, the Group will still strive to enhance gender diversity (in terms of gender ratio) across all levels of the workforce so far as reasonably practicable.

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Measures have been taken to ensure the Board receives all necessary and up to standard information in a timely manner in order to effectively discharge its duties. All Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision. Topics discussed at these quarterly Board meetings included but not limited to: overall strategies, enterprise risk management and internal control, major acquisitions and disposals, annual budgets, interim and annual results, recommendations on appointment(s) or reappointment(s) of the Directors, matters relating to share capital, approval of major capital projects, dividend policies, and other significant operational and financial matters. All businesses transacted at individual Board meetings are recorded in the minutes of the respective meeting. All Board members have access to the advice and services of the company secretary of the Company. If necessary, the Directors also have resource to external professional advice at the Company's expense. During the intervals between Board meetings, individual Directors are provided with appraisals of all major changes that may affect the Group's businesses.

All new directors, if any, will receive a comprehensive, formal and tailored induction on appointment including but not limited to: their duties, responsibilities and obligations as a director of a listed company. Newly-appointed directors will also receive any briefing and professional development necessary to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities as Directors under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Newly-appointed directors are also encouraged to discuss with the chairman of the Company any additional information or training they may require, in order to discharge their duties in a more effective manner.

In accordance with the articles of association (the "**Articles of Association**") of the Company, every member of the Board shall retire by rotation at the annual general meeting ("**AGM**") of the Company at least once every three years. The retiring Directors shall be eligible for re-election at the same AGM.

### Directors' training

Pursuant to the CG Code, all the Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Group continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

During the Year, the Directors have participated in the following trainings:

| | Type of trainings | |
|---|---|---|
| | A | B |
| **Executive Directors** | | |
| Wang Guicheng *(Appointed on 31 October 2022)* | ✓ | ✓ |
| Tai Shubin | ✓ | ✓ |
| Zhang Zihua *(Resigned on 11 October 2022)* | | ✓ |
| **Independent non-executive Directors** | | |
| Fan Yeran | ✓ | ✓ |
| Fong Wai Ho | ✓ | ✓ |
| Lo Kwing Yu | | ✓ |

A: Seminars/conferences relevant to the Directors' duties and responsibilities

B: Reading materials given by the Company relating to the Company's business and regular updates on the Listing Rules and other applicable regulatory requirements relevant to the Directors' duties and responsibilities

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

At the date of this report, Mr. Wang Guicheng assumes the dual roles of the COO, being responsible for overseeing the operation management and product development of the Group, and the chairman of the Board. The Board believes that having the same individual in both roles allows the Company to ensure effective implementation in consistent with the overall strategy of the Company. At the same time, since all major decisions of the Company are discussed by the Board, the Board committees and the senior management of the Company, the Board is of the view that the appointment of Mr. Wang Guicheng as both the COO and the chairman of the Board would not compromise the balance of power and authority and is in the interest of the Shareholders as a whole. The Board will review the effectiveness of this arrangement from time to time and re-comply with code provision C.2.1 to part 2 of the CG Code when the Board considers appropriate.

## TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu have been appointed for an initial term of two years. The terms of all independent non-executive Directors are renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current terms of appointments, unless terminated by not less than three months' notice in writing served by either party at any time during the then existing term.

## DIRECTORS' AND OFFICER'S LIABILITY INSURANCE AND INDEMNITY

The Board considers that the Group has sufficient and appropriate liability insurance to cover the Directors and the senior management team against any legal liability arising from the performance of their duties.

## DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

During the Year, the Directors' remuneration were as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Fees | 592 | 596 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | – | – |
| Pension scheme contributions | – | – |
| | 592 | 596 |

### (a) Independent non-executive Directors

The independent non-executive Directors' fees during the Year were as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Fan Yeran | 112 | 116 |
| Fong Wai Ho | 240 | 240 |
| Lo Kwing Yu | 240 | 240 |
| | 592 | 596 |

There were no other emoluments paid or payable to the independent non-executive Directors during the Year (2021: Nil).

### (b) Executive Directors

According to the Director's service contracts entered into between the Company and each of Mr. Wang Guicheng, Mr. Tai Shubin and Mr. Zhang Zihua, these executive Directors are not entitled to any salaries, allowances, performance bonuses, pension scheme contribution and any benefits in kind. Mr. Wang Guicheng was appointed as an executive Director on 31 October 2022. Mr. Zhang Zihua resigned as an executive Director on 11 October 2022.

### (c) Senior management

The band of the remuneration of senior management personnel and related number of members of senior management personnel during the Year were as follows:

| | 2022 Number of individuals |
|---|---|
| Nil to HK$1,000,000 | 4 |

Further details of the Directors' remuneration and the five highest paid employees are set out in notes 8 and 9 to the consolidated financial statements respectively.

## ACCOUNTABILITY AND AUDIT

The management of the Company is responsible for providing all relevant information to the Board, giving the Board members with sufficient explanation and information they need to discharge their responsibilities. The Board members are provided with monthly updates, including sales updates, projects launched, upcoming projects and financial position, which give the Board members a balanced and understandable assessment of the performance, position and prospects of the Group.

The Directors are responsible for overseeing the preparation of financial statements of each financial year. In preparing the financial statements for the Year, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards in effect, made judgments and estimates that are appropriate, and prepared the financial statements on a going concern basis. The management is of the view that the Group will continue its operation in foreseeable future for the reasons stated and actions taken and to be taken as set out in the section "Update on remedial measures" on page 7 to page 9 of this report and note 2.2 to the consolidated financial statements.

## MANAGEMENT FUNCTIONS

The Board decides on corporate strategies, establishes and maintains appropriate and effective risk management and internal control systems, approves overall business plans and supervises the Group's financial performance, management and organisation on behalf of the Shareholders. Specific tasks that the Board delegates to the management of the Group include the preparation of annual and interim results for the Board's approval, the implementation of strategies approved by the Board, the monitoring of operating budgets, the assessment of risk management system, the implementation of internal control procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations by the Group.

## BOARD COMMITTEES

In compliance with the CG Code, the Company has set up the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee with clearly defined written terms of reference adopted in compliance with the CG Code. The Company has also set up the CCT Executive Committee and the continuing connected transactions supervisory committee (the "**CCT Supervisory Committee**") of the Company to monitor the continuing connected transactions between the Group and the GBT Group.

## 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 comprises all independent non-executive Directors. As at the date of this report, the members of the Audit Committee are Mr. Fong Wai Ho (chairman of the Audit Committee), Mr. Fan Yeran and Mr. Lo Kwing Yu.

The duties of the Audit Committee are, among others, to review the Company's half yearly and annual financial statements and to make recommendations to the Board on appointment and removal of the Auditor. The Audit Committee meets regularly with the Company's senior management, internal audit team and the Auditor to review the Company's financial reporting process, the effectiveness of internal control, audit process and risk management.

The Audit Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company. Set out below is a summary of the work performed by the Audit Committee during the Year:

1. Reviewed the draft annual and interim financial statements and the draft results announcements of the Company, focusing on main areas of judgment, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval;

2. Reviewed, in conjunction with the Auditor, the developments of accounting standards and assessed their potential impacts on the Group's financial statements;

3. Reviewed and monitored the Auditor's independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

4. Assessed the independence of the Auditor, prior to formally engaging the Auditor to carry out the audit for the Group's financial statements for the Year;

5. Discussed the proposed scope of work and approach of the audit with the Auditor prior to the actual commencement of the audit. Upon completion of the audit, the Audit Committee reviewed the results of the external audit, and discussed with the Auditor on any significant findings and audit issues;

6. Recommended to the Board regarding the appointment and remuneration of the Auditor;

7. Reviewed and approved the internal audit planning, and discussed any significant issues with the internal audit team and the Group's senior management;

8. Reviewed the independence of the internal audit function and the level of support and co-operation given by the Group's management to the internal audit team, as well as the resources of the internal audit team when undertaking its duties and responsibilities;

9. Reviewed the adequacy and effectiveness of the Group's systems of enterprise risk management and internal control through a review of the work undertaken by the Group's internal audit team and external consultant and discussions with the Board; and

10. Reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget through a review of the work undertaken by the Group's senior financial management and internal audit team, and discussions with the Board.

The Audit Committee held four meetings during the Year.

## NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises an executive Director, Mr. Wang Guicheng (chairman of the Nomination Committee), and two independent non-executive Directors, being Mr. Fan Yeran and Mr. Lo Kwing Yu. The Nomination Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The duties of the Nomination Committee are, among others, determining policy for the nomination of the Directors, including the nomination procedures, processes and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the Year. The Nomination Committee also reviews the structure, size and composition of the Board, evaluates the nomination policy, assesses the independence of the independent non-executive Directors and makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" on page 20 to page 22 of this report.

The Board has adopted written policy for the nomination of new directors. In evaluating and selecting candidates for directorship, the criteria to be taken into account when considering the suitability of a candidate shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities.

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a candidate:

1. Succession planning of the Directors;

2. Leadership required for the Group to maintain or strengthen its competitive edges;

3. Changes in market environment and commercial needs of the market in which the Group operates;

4. Skills and expertise required for being a member of the Board;

5. Relevant requirements for a candidate to be a Director under the Listing Rules;

6. Character and integrity;

7. Commitment of sufficient time for performance of the duties as a member of the Board; and

8. The Board's diversity in all aspects as mentioned in page 20 to page 22 of this report.

The Board has adopted procedures for the nomination of new directors, pursuant to which (i) a meeting of the Nomination Committee in relation to the nominations of new directors to the Board will be held; and (ii) the Board will consider and, if thought fit, approve the appointment of the new directors by way of board meeting or written resolution. To ensure a proper understanding of the operations and businesses of the Company and that he or she is fully aware of his or her responsibilities under the applicable laws and regulations (including the Listing Rules), the newly appointed directors will be provided with a comprehensive, tailored and formal introduction of the Company on the first occasion of his or her appointment.

The Nomination Committee held two meetings during the Year to review the structure, size and composition of the Board, evaluate the nomination policy of the Company, assess the independence of the independent non-executive Directors and make recommendation to the Board on the re-election and appointment of the Directors at the forthcoming AGM.

## REMUNERATION COMMITTEE

As at the date of this report, the members of the Remuneration Committee include an executive Director, Mr. Wang Guicheng, and two independent non-executive Directors, being Mr. Fan Yeran (chairman of the Remuneration Committee) and Mr. Lo Kwing Yu. The Remuneration Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of the Directors and the senior management, as well as on the Group's policy and structure for the remuneration package of the Directors and the senior management. The Remuneration Committee also assesses performance of the Directors and approves the terms of the Directors' service contracts. The Board has adopted remuneration policy of the Directors on the basis of their merit, qualification and competence with reference to the market benchmarks.

The Remuneration Committee held two meetings to review and make recommendations to the Board remuneration packages of the executive Directors and the senior management during the Year.

## CORPORATE GOVERNANCE COMMITTEE

As at the date of this report, the Corporate Governance Committee comprises an executive Director, Mr. Wang Guicheng and two independent non-executive Directors, being Mr. Fong Wai Ho (chairman of the Corporate Governance Committee) and Mr. Fan Yeran. The Corporate Governance Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The Corporate Governance Committee was established in accordance with the requirements of the CG Code for the purposes of determining, developing and reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes.

During the Year, the Corporate Governance Committee has performed the following work:

1. Reviewed the Company's policies and practices on corporate governance and made recommendations to the Board;

2. Reviewed and monitored the training and continuous professional development of the Directors and the senior management;

3. Reviewed and monitored the Company's policies and practices in compliance with legal and regulatory requirements;

4. Reviewed the Company's compliance with the code provisions of the CG Code and corporate governance report issued by the Stock Exchange; and

5. Ensured that good corporate governance practices and procedures had been established and applied.

Apart from code provision C.2.1 to part 2 of the CG Code, the Corporate Governance Committee considered that the Company has complied with all code provisions in part 2 of the CG Code during the Year.

The Corporate Governance Committee held one meeting during the Year.

## CCT EXECUTIVE COMMITTEE

The CCT Executive Committee is responsible for monitoring, reviewing and managing the continuing connected transactions (the "**CCT**") between the Group on one part and the GBT Group on the other part. The CCT Executive Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The main duties of the CCT Executive Committee are to prepare the CCT reports and submit the same to the CCT Supervisory Committee on regular basis. As at the date of this report, the members of the CCT Executive Committee are Mr. Meng Xiangyan and Mr. He Xiaoming, both being the senior management of the Group. Biographical details of the senior management of the Group are set out on page 17 of this report.

During the Year, the CCT Executive Committee held one meeting.

## CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee that comprises all three independent non-executive Directors was established by the Board to supervise the CCT Executive Committee. The CCT Supervisory Committee operates pursuant to written terms of reference which are available on the website of the Company. The main responsibilities of the CCT Supervisory Committee, among others, are:

1. to devise and revise detailed rules and guidelines (the "**Prescribed Guidelines**") from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with the GBT Group, which are not qualified for exemptions or waivers from the Shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules, will be entered into in accordance with the respective agreements on normal commercial terms or better and on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

2. to review, on a quarterly basis, the quarterly reports (the "**CCT Quarterly Reports**") submitted by the CCT Executive Committee in relation to the transactions (if any) under the respective agreements and determine whether they have been proceeded with in accordance with the Prescribed Guidelines;

3. in respect of the provision of utility services (the "**Utility Services**") by the GBT Group to the Group under the Prescribed Guidelines, to review the CCT Quarterly Reports from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the previous quarter, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group, and to recommend the Board to take action in recovering any excessive fees charged by the GBT Group (if any); and

4. to report its findings on review of the CCT Quarterly Reports to the Board and give recommendations to the Board to ensure the transactions will be entered into in the interests of the Group and the Shareholders as a whole.

# CORPORATE GOVERNANCE REPORT

After the expiries of (i) the agreement entered into between the GBT Group as supplier and the Group as purchaser in relation to the purchase of corn starch and other raw materials such as enzymes by the Group from the GBT Group; (ii) the agreement entered into between the Group as seller and the GBT Group as purchaser in relation to the sale of corn sweeteners by the Group to the GBT Group; and (iii) the agreement entered into between the GBT Group as supplier and the Group as customer in relation to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group (collectively, the "**Master Agreements**") on 31 December 2021, no transactions under the Master Agreements have been conducted between the parties. However, there have been insignificant amount of CCT between the Group and GBT Group such transactions are qualified for exemptions from the Shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules during the Year. All such CCT have been reviewed by the CCT Supervisory Committee and there is no other matter needs to be brought to the attention of the Shareholders. For further details in relation to related party transactions, please refer to note 28 to the consolidated financial statements.

## AUDITOR'S REMUNERATION

The Auditor's remuneration amounted to HK$1,500,000 was incurred for the audit of the Group's consolidated financial statements for the Year.

During the Year, service fees for the review of interim report amount of HK$220,000 was paid as professional fee to Mazars CPA Limited for the provision of non-audit related services to the Group.

The statement about the Auditor's reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on page 49 of this report.

## COMPANY SECRETARY

The company secretary of the Company, Mr. Chan Sing Fai, is responsible for supporting the Board, ensuring good information flow within the Board and that the Board policies and procedures are followed, advising the Board on corporate governance matters, facilitating induction, and monitoring the training and continuous professional development of the Directors. He has attained no less than 15 hours of relevant professional training during the Year. Mr. Chan's biography is set out on page 17 of this report.

## INVESTOR RELATIONS

The Group establishes and maintains different communication channels with the Shareholders through the publication of annual and interim reports, information on the Stock Exchange, a corporate website, and general and investor meetings held either face-to-face or via telephone conference calls where Shareholders are given chances to raise questions. The Group also maintains a corporate website "www.global-sweeteners.com" to disclose an up-to-date information of the Group's business operations and developments, financial information, corporate governance practices and other information to the public. The Group reports the financial performance of the Company to the Shareholders twice a year and maintains a regular dialogue with investors.

The AGM provides a useful forum for the Shareholders to exchange views with the Board. The chairman, all members of the Board committees and the Auditor will also attend the AGM to answer questions from the Shareholders.

The notice of AGM will be distributed to all the Shareholders at least 21 days prior to the AGM. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of the Directors. Details of the proposed resolutions will be contained, where necessary, in circulars of the Company. The chairman of the AGM shall exercises his/her power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll will be explained at the meeting. Poll results will be posted on the websites of the Company and the Stock Exchange after the meeting.

Further details in relation to the Group's communication channels with the Shareholders are set out in the Shareholders' communication policy (the "**Policy**") adopted by the Company, which is available on the website of the Company, to maintain an on-going dialogue with the Shareholders, to encourage them to communicate actively with the Company and for the Company to solicit and understand the views of the Shareholders and stakeholders. The Company has reviewed and assessed the Policy and considered that it is effectively implemented during the Year on the basis that:

- All announcements, circulars, annual and interim reports are available on the website of the Company in a timely manner after publishing the same on the website of the Stock Exchange so that the Shareholders and investment community at large are provided with timely access to the latest information and current development about the Company;

- Physical AGM was held reaching out to individual Shareholders and stakeholders to encourage their participation and for them to raise questions; and

- Shareholders' request or enquiries, as received through the Company's share registrar in Hong Kong, was attended to by the Company promptly.

As of 31 December 2022, details of the Shareholders by type and aggregate shareholding are as follow:

| | **Number of shares held** | **Percentage of shareholding** | **Market capitalisation** (HK$ million) |
|---|---|---|---|
| GBT Group | 978,278,000 | 64.04 | 64.57 |
| Public float in Hong Kong | 549,308,000 | 35.96 | 36.25 |
| Total | 1,527,586,000 | 100.00 | 100.82 |

The 2022 AGM was held on 6 June 2022 to approve the 2021 audited consolidated financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of the Directors. All resolutions proposed were passed by way of poll.

The 2023 AGM will be held on 25 May 2023 to approve, among others, the 2022 audited consolidated financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of the Directors.

## DIVIDEND POLICY

The Board has adopted a dividend policy to provide the Shareholders with regular dividends. The Company considers stable and sustainable returns to the Shareholders to be our goal and endeavours to maintain a progressive dividend policy. The Board shall take the following factors into account when considering the declaration and payment of dividends, inter alia:

1. Declaration of dividends will be subject to the discretion of the Directors, depending on factors including but not limited to the results, working capital, cash positions and capital requirements of the Group and statutory and regulatory restrictions.

2. Subject to the factors mentioned in paragraph 1, it is the Directors' present intention to recommend annual distribution to the Shareholders of not less than 15% of the annual profits attributable to equity holders of the Company as dividends in the foreseeable future.

3. The declaration of dividends is subject to the absolute discretion of the Board and any final dividend for the Year is subject to the approval of the Shareholders. The amounts of dividends actually declared and distributed to the Shareholders will be subject to the absolute discretion of the Board and will depend upon a number of factors, including but not limited to availability of the Company's cash and distributable reserves, investment requirements, and the cash flow and working capital requirements of the Group and any factors considered and thought fit by the Board.

4. The payment of dividends by the Company is also subject to the restrictions under the Laws of the Cayman Islands and the Articles of Association, if any.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Internal control

The Board is entrusted with the overall responsibility of establishing, maintaining and assessing the Group's internal control and risk management systems and its effectiveness. The role of the Group's management is to implement all policies on risk and control laid down by the Board.

The Group's internal control and risk management systems are designed to provide reasonable protection to the Group's assets, and to safeguard these assets from unauthorised use or disposition by ensuring that all such transactions are executed in accordance with management's authorisation. The systems also ensure accounting records are sufficiently accurate for the preparation of financial information used for operation and reporting purposes.

The Group's internal control framework covers (i) the setting of objectives, budgets and targets; (ii) the establishment of regular reporting of financial information, in particular, the tracking of deviations between actual performances and budgets/targets; (iii) the delegation of authority; and (iv) the establishment of clear lines of accountability.

The Group formulates code of conduct to state the Company's expectations on duty and integrity. Whistleblowing policy enables our employees to bring problems to management which considers such policy necessary to make our internal control system effective.

Monthly financial information and variance analysis are provided to the Directors and quarterly financial reviews are discussed at Board meetings for any material variances and deviations between actual performances and budgets/targets. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis. Other regular and ad hoc reports will also be prepared for the Board and its various committees to ensure that the Directors are supplied with all the requested information in a timely and appropriate manner.

To allow for delegation of authority as well as to enhance segregation of duties and accountability, a clear organisation structure exists which details different levels of authority and control responsibilities within each business unit of the Group. Certain specific matters are reserved for the Board's decision and are not delegated. These include, among others, the approval of annual and interim results, annual budgets, capital structure, declaration of dividends, material acquisitions, disposals and capital expenditure, the Board structure and its composition and succession.

The role of the Audit Committee is, through discussion with the management to review at least annually the effectiveness of internal control and risk management systems, including financial, operational and compliance controls and risk management functions, and to report to the Board any significant risk issues (including Environmental, Social and Governance ("**ESG**") related risks). The annual review also covers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions as well as those relating to the ESG performance and reporting of the Group. No significant control failings or weaknesses that have been identified by the Audit Committee during the Year.

No matter how well an internal control system is designed and maintained, it can only provide reasonable, but not absolute, assurance. No system of control can totally eliminate the possibility of human errors and deliberate attempts to defraud the Company. As such, the Group maintains an effective internal audit function that is independent from operational management to carry out risk-based auditing concentrating on areas with significant risks or where significant changes have been made. The Board also endeavours to ensure internal audit team is fully empowered with access to all data and every operation of the Group, as well as provided with adequate resources and well qualified and capable staff.

### Internal audit department

The Group established an internal audit department in 2015 which plays a critical role in monitoring the governance of the Group. Internal audit department reports directly to the Audit Committee and it has unrestricted access to all areas of the Group's business units, assets, records and personnel in the course of conducting its work. The annual work plan and resources are reviewed and agreed with the Audit Committee.

Business unit audits are designed to provide assurance that the internal control systems of the Company are implemented properly and operating effectively, and that the risks associated with the achievement of business objectives are being properly identified, monitored and managed. The frequency of each audit is determined by internal audit department using its own risk assessment methodology, which is based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous internal audit results, the Auditor's comments, output from the work of the Audit Committee and management's views. Each major business unit is typically audited at least once every three years. Acquired businesses would normally be audited within 12 months.

Internal audit department assists the Audit Committee in assessing the effectiveness of the Group's internal controls through the review of the annual control self-assessment process. Internal audit department also conducts ad-hoc projects and investigative work as required by the management or the Audit Committee.

Copies of internal audit reports are sent to the Audit Committee, the senior management and the Auditor. Management is called upon to present action plans in response to internal audit team's recommendations.

### Group risk management

Risk is inherent in the Group's business and the markets in which it operates. It is of utmost importance for the management to identify, understand and manage these risks in order to minimise, transfer and avoid them. This demands a proactive approach to risk management and an effective risk management framework.

The Group's overall risk management is overseen by the Board and the senior management. The Company recognises that risk management is the responsibility of everyone within the Group. Rather than being a separate and standalone process, risk management has been or will be integrated into business processes including strategy development, business planning, capital allocation, investment decisions, internal control and day-to-day operations.

The Company established its Enterprise Risk Management ("**ERM**") process with the 'three lines of defence' model to manage operational risks. Such approach makes clear everyone's duty and responsibility within the Group to manage operational risks on a daily basis. The first line of defence is the management of the Group that directly identifies, records, reports and manages any material risks encountered to mitigate such risks. The second line sets guidelines and regulations, and monitors and facilitates the implementation of effective risk management practices. The third line of defence is the Group's internal audit team's efforts, from risk identification, assessment and response to risk related communication.

Our risk management objectives:

- Strategic level: The Company focuses on the identification and management of material risks at different levels – the Group, business units and functional units so as to better position the Company in pursuing its strategic and business objectives. In seeking growth opportunities, the Company strives to optimise risk/return tradeoffs while establishing strong and independent review and challenge processes.

- Operational level: The Company aims to identify, assess, evaluate and minimise operational hazards and risks to create a safe, healthy and efficient workplace for its employees while respecting our community and neighbourhood to ensure public safety and health, and minimising our environmental footprint.

The Company's risk appetite represents the amount of risk the Group is willing to undertake in pursuit of its strategic and business objectives. In line with the Company's value and expectations of its stakeholders, the Company will only take reasonable risks that fit its strategies and have been assessed, understood and therefore manageable; and such risks should not expose the Group to:

– material financial loss that substantially impacts the Group's ability to execute its business strategies and long-term financial well-being;

– consequence that affects the safety and health of our staff and the public;

– material breach of regulations and subsequently leading to the deterioration of the Group's reputation and brand name; and

– business/supply interruption leading to severe impact on the community, and severe environmental incidents.

The internal control department assists the management to establish the ERM systems with reference to the COSO ERM framework, where major risks were identified and analysed. Management and employees with particular experience in the design and implementation of internal control systems, have evaluated our control environment and conducted risk assessments of businesses and processes, both at the entity level and the various processes/transactions levels. Such key risks and controls are continually reviewed and updated on an annual basis. High-risk key controls are tested annually by the management and internal audit team. Based on the results of those tests, process owners are able to present to the senior management that their internal controls are working as intended or that necessary corrections have been made where control weaknesses have been found. Internal audit team reports to the senior management and the Audit Committee that the internal controls have been working properly or that changes have been made to ensure the integrity of the financial statements. The Auditor also understands the key controls to the extent that they will be relied on for the audit. During the Year, the Board has identified a number of risks and uncertainties for the Group to deal with:

### Principal risks and uncertainties

| Risk description | Changes in 2022 | Key risk mitigations |
|---|---|---|
| *Financial Risks:* | | |
| Liquidity risk of inadequate funding | Suspension of productions increased the liquidity risks | Consolidate the Group's resources in production base with higher efficiency<br><br>Seek investment opportunities with strategic investors to raise additional fund |
| Inability to renew the bank borrowings on time | Repaid a portion of bank borrowings and reached repayment agreement/schedule with bank | Raise funds to repay overdue borrowings through execution of the GSH Restructuring |
| *Compliance Risk:* | | |
| Default of repayment of loan agreement(s) | Creditor(s) applied for preservation order(s) from the court to request for settlement by the Group<br><br>Settlement agreements have been reached between the respective parties for certain defaulted loans | Continued negotiation between the Group and banks/creditors on settlement arrangements for on-going cases |
| *Strategic Risk:* | | |
| Market competition | Intense competition in domestic and export markets of the downstream products | Diversify the product mix and develop green products to cope with market needs and explore new export markets for downstream products |
| *Operation Risks:* | | |
| The COVID-19 pandemic is raging globally | The operating environment has been materially affected by the COVID-19 pandemic | Streamline operation to secure the liquidity of the Group and closely monitor market changes |
| Ageing production facilities | Productivity lowered with ageing production facilities | Continuous research and development efforts to improve efficiency and introduce new products<br><br>Production facilities upgrade to improve production efficiency and product mix to cope with market changes |

In the Year, the internal audit team conducted a review on the effectiveness of the risk management and internal control systems of the Group, and where weaknesses are identified, means for improvement are recommended to the Audit Committee. The Board has reviewed the effectiveness of the Group's risk management and internal control systems based on the assessment of the Audit Committee and considered them effective and adequate. The Company has complied with the relevant code provisions as set out in part 2 of the CG Code on internal controls and risk management during the Year. As such, the Board considers that the Group's internal control procedures and risk management functions are both effective and adequate.

### Inside information

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company is aware of its obligations under the Securities and Futures Ordinance ("**SFO**") and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to Company's attention and/or it is the subject of a decision unless it falls within the SFO safe harbours. Such disclosure should comply with the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively. All these have been included in the Company's code of conduct. Employees or Directors possessing relevant inside information should report the same to the disinterested Directors, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly. The senior management of the Group are then identified and authorised to act as the Company's spokespersons and respond to enquiries in allocated areas of issues. Unauthorised use of confidential or inside information is strictly prohibited. The Group has also established and implemented procedures for responding to external enquiries about the Group's affairs.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company has been publishing the ESG report (the "**ESG Report**") on the websites of the Company and the Stock Exchange on an annual basis. Please view and download the ESG Report from the Company's website at www.global-sweeteners.com under the heading "Investor Relations" and the website of the Stock Exchange.

## CONSTITUTIONAL DOCUMENT

The Company did not make any change to its constitutional document during the Year. The memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange.

## SHAREHOLDERS' RIGHTS

### 1. Procedures for the Shareholders to convene an extraordinary general meeting ("EGM")

1.1 The following procedures for the Shareholders to convene an EGM are prepared in accordance with article 64 of the Articles of Association:

(1) One or more Shareholders (the "**Requisitionist(s)**") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "**Requisition**"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at contact@global-sweeteners.com.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

### 2. Procedures for raising enquiries

2.1 The Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section headed "Corporate Information" of this report.

2.2 The Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at contact@global-sweeteners.com.

2.3 The Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

### 3. Procedures and contact details for putting forward proposals at Shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her/its proposal (the "**Proposal**") with his/her/its detailed contact information via email at the email address of the Company at contact@global-sweeteners.com.

3.2 The identity of that Shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by that Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholders concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 days in writing if the Proposal requires approval in an AGM or by a special resolution of the Company;

(2) Notice of not less than 14 days in writing if the Proposal requires approval in meeting other than (i) an AGM; or (ii) a meeting for the passing of a special resolution of the Company.

# REPORT OF THE DIRECTORS

The Directors hereby present their report and the consolidated financial statements of the Group for the Year.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn sweeteners. Details of the principal activities of the principal subsidiaries are set out in note 31 to the consolidated financial statements.

## BUSINESS REVIEW

A business review of the Group and an analysis of the Group's performance using financial key performance indicators during the Year are provided in the Message to Shareholders and Management Discussion and Analysis on page 4 to page 5 and page 6 to page 15 of this report, respectively. In addition, discussions on the Group's environmental policies and performance, are provided in the ESG Report.

The principal risks and uncertainties are disclosed in Corporate Governance Report under section headed "Risk management and internal control" on page 32 of this report. Particulars of important events affecting the reporting entity that have occurred since the end of the financial year are disclosed in Management Discussion and Analysis under section headed "Important events affecting the Group subsequent to the year under review" on page 13 to page 15 of this report. An indication of likely future development of the Group is disclosed in Management Discussion and Analysis under section headed "Future plans and prospects" on page 15 of this report.

## RESULTS AND DIVIDENDS

The Group's loss for the Year and the financial position of the Company and the Group at that date are set out in the consolidated financial statements on page 51 to page 121 of this report.

The Board has resolved not to recommend the payment of any dividend for the Year (2021: Nil). The Company adopts a dividend policy which is set out on page 32 of this report.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements and restated as appropriate, is set out on page 122 of this report. This summary does not form part of the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the Company's share capital during the Year are set out in note 25 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

## TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## PURCHASE, SALE 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.

## RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 32(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company does not have reserves available for distribution, calculated in accordance with the provisions of the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the "**Companies Act**") of the Cayman Islands. Under the Companies Act, the share premium account of the Company of approximately HK$1,074,879,000 as at 31 December 2022 is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for approximately 44.1% of the total sales for the Year, and sales to the largest customer included therein accounted for approximately 18.5% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for approximately 72.7% of the total purchases for the Year, and purchases from the largest supplier included therein accounted for approximately 44.6% of the total purchases of the Year.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5.0% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

# REPORT OF THE DIRECTORS

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's business is mainly operated by its subsidiaries established in the PRC and the Company was incorporated in the Cayman Islands and is a listed company on the Main Board of the Stock Exchange. Therefore, the Group should comply with relevant laws and regulations of the Cayman Islands, Hong Kong and the PRC.

The Company promotes the culture of adhering to the highest ethical standards of business conduct and commits to comply with all prevailing laws and regulations in all its operating regions. During the Year, the Company was not aware of any material non-compliance or breach of the applicable legislation or regulations that have a significant impact on the Group.

## RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from our key stakeholders which comprise employees, customers, suppliers and Shareholders.

### Employees

The Group believes its employees serve as the backbone of the Group's development. 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.

### Customers

The Group has established good and long-term business relationship with the customers, and believe that these customers will continue to place the purchase orders to the Group. Meanwhile, the Group will actively seek for the new customers, in order to minimise the possible negative impact on the Group's business and profitability resulting from the discontinuance of order from any major customer.

### Suppliers

The Group holds supply chain management in high regard and strives to select quality suppliers through an open and transparent screening process to achieve mutual benefits. The Group will also review and assess the performance of suppliers annually to decide whether to continue cooperating with them, and such reviews will also be taken into consideration when identifying other suppliers.

### Shareholders

One of the corporate goals of the Group is to enhance corporate value to Shareholders. The Group is committed to fostering business developments for achieving the sustainable growth.

## DIRECTORS

The Directors during the Year and up to the date of this report were:

*Executive Directors:*
Wang Guicheng *(Appointed on 31 October 2022)*
Tai Shubin
Zhang Zihua *(Resigned on 11 October 2022)*

*Independent non-executive Directors:*
Fan Yeran
Fong Wai Ho
Lo Kwing Yu

According to article 108(A) of the Articles of Association, not less than one-third of the Directors shall retire from office by rotation at each AGM. Any Director who retires under this article shall then be eligible for re-election as Director. Mr. Tai Shubin, being an executive Director, and Mr. Fong Wai Ho, being an independent non-executive Director, will retire as Directors and, being eligible, will offer themselves for re-election as Directors at the AGM.

In addition, pursuant to article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an additional Director shall hold office until the next following general meeting of the Company (in the case of a Director appointed to fill a casual vacancy) or the next AGM (in the case of a Director appointed as an additional Director) and shall then be eligible for re-election at the meeting. By virtue of article 112 of the Articles of Association, the office of Mr. Wang Guicheng, being an executive Director will end at the AGM. Mr. Wang Guicheng being eligible, will offer himself for re-election as Director at the AGM.

The Company has received annual confirmations from each of Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu of their independence pursuant to rule 3.13 of the Listing Rules during the Year. As at the date of this report, the Company still considers all independent non-executive Directors to be independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 16 to page 17 of this report.

## DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Wang Guicheng and Mr. Tai Shubin have each entered into service contracts with the Company for an initial term of one year which commenced on 31 October 2022 and 17 December 2020, respectively, which are renewable automatically for successive term of one year. Each of the above service contracts may be terminated by either party by giving not less than three months' written notice.

The independent non-executive Directors, Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu have each entered into appointment letters with the Company for an initial term of two years which commenced on 22 July 2020, 31 December 2018 and 3 March 2014, respectively, and are renewable automatically for successive term of one year. Each of the above appointment letters may be terminated by either party by giving not less than three months' written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' fees are subject to the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

## PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the Articles of Association being in force. The Company has maintained directors' and officers' liability insurance throughout the Year, which provides appropriate cover on certain legal actions brought against its directors and officers arising out of corporate activities.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the Year.

## CONTRACT OF SIGNIFICANCE

There was no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the Year.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, the interests and short positions in the share, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) of the Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

| Name of Director | The Company/name of associated corporation | Capacity/ Nature of interest | Number and class of securities held (a) | Percentage of the relevant class of issued share capital of the Company/ associated corporation |
|---|---|---|---|---|
| Wang Guicheng | The Company | Beneficial owner | 300,000 shares (L) | 0.02 |
| | GBT | Beneficial owner | 500,000 ordinary shares of HK$0.10 each (L) | 0.01 |

Remark:

(a) The letter "L" represents the Director's interests in the shares and underlying shares of the Company or its associated corporation.

Save as disclosed above, as at 31 December 2022, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquired benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name | Capacity/nature of interest | Number of shares held (a) | Percentage of the Company's issued share capital |
|---|---|---|---|
| Global Corn Bio-chem | Beneficial owner | 977,778,000 shares (L) | 64.01 |
| GBT | Interest of a controlled corporation (b) | 977,778,000 shares (L) | 64.01 |
| | Beneficial owner | 500,000 shares (L) | 0.03 |
| Modern Agricultural Industry Investment Limited ("**Modern Agricultural**") | Interest of a controlled corporation (c) | 978,278,000 shares (L) | 64.04 |

Remarks:

(a) The letter "L" denotes the person's interest in the share capital of the Company.

(b) These shares are registered in the name of Global Corn Bio-chem, which is a wholly-owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the shares in which Global Corn Bio-chem is interested according to the SFO.

(c) These shares are registered in the name of or deemed to be interested by GBT, of which the issued share capital is beneficially owned as to approximately 35.2% by Modern Agricultural as at the date of this report. The entire issued capital of Modern Agricultural is held by Modern Agricultural Industry Investment Holdings Limited ("**Modern Agricultural Holdings**") which is in turn wholly-owned by Jilin Province Modern Agricultural Industry Investment Fund (LLP) ("**PRC LLP**"). The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited ("**GP**"). As at the date of this report, the investment capital of PRC LLP is owned as to 60.0% by Nongtou (Nongtou is controlled by Jilin SASAC, as to 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.*) and as to 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.*). Accordingly, each of Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the interest held by GBT.

(d) While the Company entered into the Subscription Agreement with Hartington Profits on 24 July 2022, pursuant to which Hartington Profits had conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 305,517,200 new ordinary shares of the Company, the Subscription Agreement has been terminated on 28 February 2023 and did not proceed to completion, Hartington Profits never had any actual interest in the shares of the Company and its position as at 31 December 2022 is not disclose above.

Saved as disclosed above, as at 31 December 2022, the Directors are not aware of any persons who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had no connected transactions that are not qualified for exemptions from the shareholder's approval, annual review and disclosure requirements under Chapter 14A of Listing Rules. The related party transactions disclosed in note 28 to the consolidated financial statements are either exempted connected continuing transactions or non-exempted continuing connected transactions which have complied with the requirements under Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this report, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to the Listing Rules, other than those businesses of which the Directors were appointed as the Directors to represent the interests of the Company and/or the Group.

## 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 GBT dated 4 May 2020, among others, Jinzhou Yuancheng, a subsidiary of the Company, failed to satisfy certain financial covenants under the various loan agreements entered into between Jinzhou Yuancheng and Jinzhou CCB for the Yuancheng CCB Loans, such failure to perform or comply with 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 Group. The Yuancheng CCB Loans were jointly and severally guaranteed by GBT and certain subsidiaries of the Company with a maximum guaranteed principal amount of not more than RMB200.0 million.

As detailed in the joint announcements of the Company and GBT 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 GBT Group in the aggregate amount of RMB213,882,635.55 in respect of the Yuancheng CCB Loans. As at the date of this report, the outstanding principal amount of the Yuancheng CCB Loans is approximately RMB188.7 million.

(2) Reference is made to the joint announcement of the Company and GBT dated 23 December 2020 regarding the fixed-term loan under a loan agreement entered into between Dihao Foodstuff, an indirect wholly-owned subsidiary of the Company and Nongan Branch ABC with outstanding principal amount of RMB180.0 million, together with respective outstanding interest, which have become immediately due and payable before their maturity date in June 2021 in contemplation of the debt restructuring plan of the Group and the GBT Group. Dihao Foodstuff has defaulted in the repayment of such loan. The maximum liability guaranteed by the Company is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreement. Dihao Foodstuff and Dihao Crystal Sugar have provided collaterals to secure such loan. In addition, the default in repayment of such loan by the Group may also trigger cross default of other loan agreements entered into by the Group.

As further disclosed in the joint announcement of the Company and GBT dated 23 December 2020, pursuant to the transfer agreement entered into between Jilin Branch ABC and Jilin Cinda, Jilin Branch ABC (acting on behalf of Nongan Branch ABC) has agreed to sell to Jilin Cinda, and Jilin Cinda has agreed to purchase the ABC Transferred Loans at a consideration of approximately RMB414.7 million. The ABC Transferred Loans include, among others, the loan of the Group mentioned above with the principal amount of RMB180.0 million. As at the date of this report, the outstanding principal amount under such loan agreement is RMB180.0 million.

(3) Reference is made to the joint announcement of the Company and GBT 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 Food Development Co., Ltd.*). As at the date of this report, 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.

# REPORT OF THE DIRECTORS

## 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. It is expected that the operating environment of the Group in 2023 will improve as China reopens to the world and the PRC economy gradually gets back on track. However, the PRC corn price is expected to remain high in 2023. As for the outlook on the sugar market, although global sugar price is expected to turn bearish in 2023 due to increase in global production, the expectation that sugar demand will improve as China resumes normal economic activities may counterbalance part of the effect of sugar surplus. 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 its suspended facilities as appropriate. Up to the date of this report, the Group has continued the suspension of the production facilities as detailed in the Suspension of Operation Announcement. However, the Group will closely monitor the market conditions and seek investment opportunities with potential investors to raise additional fund to resume its production as soon as possible to the extent practicable.

## AUDITOR

Mazars CPA Limited will retire and a resolution for their re-appointment as the Auditor will be proposed at the AGM.

ON BEHALF OF THE BOARD

**Wang Guicheng**
*Chairman*

Hong Kong
30 March 2023

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**To the shareholders of Global Sweeteners Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Global Sweeteners Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on page 51 to page 121, which comprise the consolidated statement of financial position at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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$1,206.8 million and HK$681.0 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$212.5 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 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.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountant (the "**HKICPA**") and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the consolidated financial statements of the Group in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

**Mazars CPA Limited**
*Certified Public Accountants*
42/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

30 March 2023

The engagement director on the audit resulting in this independent auditor's report is:
**So Chun Wai**
Practising Certificate Number: P07513

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **REVENUE** | 5 | 359,567 | 728,099 |
| Cost of sales | | (332,300) | (686,511) |
| Gross profit | | 27,267 | 41,588 |
| Other income and gains | 5 | 16,303 | 145,690 |
| Selling and distribution costs | | (32,076) | (53,087) |
| Administrative expenses | | (97,846) | (92,582) |
| Other expenses | | (64,593) | (61,640) |
| Finance costs | 7 | (68,977) | (77,898) |
| **LOSS BEFORE TAX** | 6 | (219,922) | (97,929) |
| Income tax credit | 10 | 7,431 | 1,667 |
| **LOSS FOR THE YEAR** | | (212,491) | (96,262) |
| **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 | | 32,099 | (6,943) |
| | | 32,099 | (6,943) |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Gain on properties revaluation | | – | 36,651 |
| Income tax effect | | – | (9,163) |
| | | – | 27,488 |
| **TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | 32,099 | 20,545 |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | | (180,392) | (75,717) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **LOSS ATTRIBUTABLE TO:** | | | |
| Owners of the Company | | (212,491) | (96,262) |
| Non-controlling interests | | – | – |
| | | (212,491) | (96,262) |
| **TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:** | | | |
| Owners of the Company | | (180,843) | (75,560) |
| Non-controlling interests | | 451 | (157) |
| | | (180,392) | (75,717) |
| **LOSS PER SHARE** | 12 | | |
| Basic | | HK(13.9) cents | HK(6.3) cents |
| Diluted | | HK(13.9) cents | HK(6.3) cents |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | 507,865 | 611,280 |
| Right-of-use assets | 14 | 55,293 | 66,562 |
| Intangible assets | 15 | 1,704 | 1,704 |
| | | 564,862 | 679,546 |
| **CURRENT ASSETS** | | | |
| Inventories | 16 | 42,434 | 65,612 |
| Trade receivables | 17 | 48,960 | 99,667 |
| Prepayments, deposits and other receivables | 18 | 26,576 | 48,750 |
| Due from fellow subsidiaries | 28(ii) | – | 33,675 |
| Cash and bank balances | 19 | 4,275 | 7,827 |
| | | 122,245 | 255,531 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 20 | 85,882 | 113,804 |
| Other payables and accruals | 21 | 389,309 | 313,672 |
| Lease liabilities | 14 | 951 | 946 |
| Interest-bearing bank and other borrowings | 22 | 795,353 | 927,540 |
| Due to fellow subsidiaries | 28(ii) | 34,113 | – |
| Tax payables | | 23,421 | 25,116 |
| | | 1,329,029 | 1,381,078 |
| **NET CURRENT LIABILITIES** | | (1,206,784) | (1,125,547) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | (641,922) | (446,001) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**At 31 December 2022**

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 14 | 172 | 1,123 |
| Deferred income | 23 | 21,511 | 25,476 |
| Deferred tax liabilities | 24 | 17,362 | 27,975 |
| | | 39,045 | 54,574 |
| **NET LIABILITIES** | | (680,967) | (500,575) |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 25 | 152,759 | 152,759 |
| Reserves | | (827,795) | (646,952) |
| **Deficit attributable to owners of the Company** | | (675,036) | (494,193) |
| **Non-controlling interests** | | (5,931) | (6,382) |
| **TOTAL DEFICIT** | | (680,967) | (500,575) |

These consolidated financial statements on page 51 to page 121 were approved and authorised for issue by the board of directors of the Company on 30 March 2023 and signed on its behalf by

**Wang Guicheng**
*Director*

**Tai Shubin**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Properties revaluation reserve HK$'000 | Statutory reserve fund HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total deficit HK$'000 |
| At 1 January 2022 | 152,759 | 1,074,879 | 124,644 | 67,684 | 308,823 | (2,222,982) | (494,193) | (6,382) | (500,575) |
| Loss for the year | - | - | - | - | - | (212,491) | (212,491) | - | (212,491) |
| Other comprehensive income for the year: – Exchange realignment | - | - | - | - | 31,648 | - | 31,648 | 451 | 32,099 |
| Total comprehensive income (loss) for the year | - | - | - | - | 31,648 | (212,491) | (180,843) | 451 | (180,392) |
| **At 31 December 2022** | 152,759 | 1,074,879* | 124,644* | 67,684* | 340,471* | (2,435,473)* | (675,036) | (5,931) | (680,967) |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Properties revaluation reserve HK$'000 | Statutory reserve fund HK$'000 | Exchange reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total deficit HK$'000 |
| At 1 January 2021 | 152,759 | 1,074,879 | 97,156 | 67,684 | 315,609 | (2,126,720) | (418,633) | (6,225) | (424,858) |
| Loss for the year | – | – | – | – | – | (96,262) | (96,262) | – | (96,262) |
| Other comprehensive income (loss) for the year: | | | | | | | | | |
| – Gain on properties revaluation, net of deferred tax | – | – | 27,488 | – | – | – | 27,488 | – | 27,488 |
| – Exchange realignment | – | – | – | – | (6,786) | – | (6,786) | (157) | (6,943) |
| Total comprehensive income (loss) for the year | – | – | 27,488 | – | (6,786) | (96,262) | (75,560) | (157) | (75,717) |
| At 31 December 2021 | 152,759 | 1,074,879* | 124,644* | 67,684* | 308,823* | (2,222,982)* | (494,193) | (6,382) | (500,575) |

* These reserve accounts comprise the negative reserves of HK$827,795,000 (2021: HK$646,952,000) in the consolidated statement of financial position.

## SHARE PREMIUM

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

## PROPERTIES REVALUATION RESERVE/EXCHANGE RESERVE

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

## STATUTORY RESERVE FUND

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Cash generated from (used in) operations | 27(i) | 13,251 | (284,014) |
| Interest received | | 24 | 152 |
| **Net cash generated from (used in) operating activities** | | 13,275 | (283,862) |
| **INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | | (136) | (1,588) |
| Proceeds from disposal of property, plant and equipment | | – | 109 |
| Compensation for resumption of the Dihao Properties received | | – | 418,275 |
| Decrease (Increase) in amounts due from fellow subsidiaries | | 19,771 | (33,675) |
| **Net cash generated from investing activities** | | 19,635 | 383,121 |
| **FINANCING ACTIVITIES** | 27(ii) | | |
| Proceeds from new interest-bearing bank and other borrowings | | – | 173,049 |
| Repayment of interest-bearing bank and other borrowings | | (68,945) | (161,585) |
| Loan from a fellow subsidiary | | 39,660 | – |
| Interest paid | | (4,644) | (39,928) |
| Increase in an amount due to the ultimate holding company | | 13,473 | 21,813 |
| Decrease in amounts due to fellow subsidiaries | | (15,674) | (106,275) |
| **Net cash used in financing activities** | | (36,130) | (112,926) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | (3,220) | (13,667) |
| Cash and cash equivalents at beginning of year | | 7,827 | 21,281 |
| Effect of foreign exchange rate changes, net | | (332) | 213 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 19 | 4,275 | 7,827 |

## 1. CORPORATE INFORMATION

Global Sweeteners Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") was incorporated in the Cayman Islands under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 1002, 10th 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 sweeteners. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2022 (the "**Year**").

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

## 2.1 BASIS OF PREPARATION

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

These consolidated financial statements have been prepared under the historical cost convention, except for certain property, plant and equipment which are measured at revalued amounts as further explained in note 2.5 to the consolidated financial statements. These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except where otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 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 to the consolidated financial statements. A summary of the principal accounting policies adopted by the Group is set out in note 2.5 to the consolidated financial statements.

## 2.2 GOING CONCERN

The Group recorded a loss of approximately HK$212.5 million (2021: approximately HK$96.3 million) for the Year, as at 31 December 2022, the Group had net current liabilities of approximately HK$1,206.8 million (31 December 2021: approximately HK$1,125.5 million) and net liabilities of approximately HK$681.0 million (31 December 2021: approximately HK$500.6 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:

**(1) 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 GBT on 23 December 2020, among others, 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**")) announced that Jilin Branch ABC has entered into a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**Jilin Cinda**") to transfer all rights (including security right) and benefits of the loans owed by, among others, the Group and the GBT Group, with an aggregate outstanding principal amount of approximately RMB1,400.0 million and aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") to Jilin Cinda at a consideration of approximately RMB414.7 million. Subsequent to the transfer of the ABC Transferred Loans, the Group and the GBT Group have been continuously negotiating with the relevant parties, including the lenders and 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province*) ("**Jilin SASAC**") for the next stage of the debt restructuring.

With the support from Jilin SASAC, the Company together with GBT will endeavour to facilitate the implementation of the next stage of the debt restructuring plan. It is currently expected that the debt restructuring in relation to a portion of the loans owed by the Group and the GBT Group will 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 of the Company expect that upon the completion of the debt restructuring plan, the financial position of the Group will improve significantly.

**(2) 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 and the GBT Group which are located in Luyuan District, Changchun, the PRC (the "**Relevant Properties**") by the local government will be conducted in stages according to the PRC's Slum Redevelopment Policy. The management of the Company expects that a substantial part of the remaining Relevant Properties will be resumed by the local government in 2024-2025. The directors of the Company 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.

## 2.2 GOING CONCERN *(continued)*

### (3) Monitoring of the Group's operating cash flows

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 operation of most of the Group's production facilities and consolidated its resources in the Shanghai production site.

### (4) Financial supports from the indirect major shareholder of GBT

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 and the GBT 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 and the GBT 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 and the GBT Group.

### (5) Introduction of potential investors to the Company

The management of the Company has been looking for opportunities for co-operation and potential investment with different industrial players or investors. As announced by the Company on 24 July 2022, the Company entered into a subscription agreement (the "**Subscription Agreement**") with an independent third party, namely, Hartington Profits Limited ("**Hartington Profits**" or the "**Subscriber**"), a company incorporated in the British Virgin Islands with limited liability, on 24 July 2022, pursuant to which Hartington Profits has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 305,517,200 new ordinary shares (the "**Subscription Shares**") at the subscription price of HK$0.1 per Subscription Share under the general mandate (the "**Subscription**"). The net proceeds from the Subscription, after the deduction of relevant expenses, was estimated to be approximately HK$30,000,000. For further details of the Subscription, please refer to the announcements of the Company dated 24 July 2022 and 30 December 2022.

As further announced by the Company on 28 February 2023, as the conditions precedent under the Subscription Agreement have not been fully fulfilled (or waived by the Subscriber, as the case may be) on or before the long stop date of the Subscription Agreement and there has not been any agreement to further extend the long stop date, the Subscription Agreement has been terminated.

Although the Subscription had been terminated, the management of the Group has been in discussion with the other potential investors (including the Subscriber) subsequent to the termination of the Subscription to explore other alternative investment opportunities in relation to the Group with the aim to strengthen the financial positions and the business profile of the Group.

## 2.2 GOING CONCERN *(continued)*

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 of the Company proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group will have sufficient working capital for at least 12 months from the date of this report. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

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

## 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 HKFRS 16 | 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 to HKFRSs | 2018-2020 Cycle |

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

The amendments exempt 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 allow 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 amendments do not affect lessors.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

## 2.3 CHANGES IN ACCOUNTING POLICIES *(continued)*

### 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.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### 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).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### 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.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

### 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.

## 2.3 CHANGES IN ACCOUNTING POLICIES *(continued)*

### Annual Improvements Project – 2018-2020 Cycle *(continued)*

***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] |
| Amendment 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.

## 2.4 NEW AND REVISED HKFRSs NOT YET ADOPTED *(continued)*

### 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.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of consolidation

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

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Subsidiaries

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

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

### Business combinations and goodwill

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

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

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Business combinations and goodwill *(continued)*

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

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

### Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Impairment of non-financial assets

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

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

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

### Related parties

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

(a) A person or a close member of that person's family is related to the Group if that person:

    (i) has control or joint control over the Group;

    (ii) has significant influence over the Group; or

    (iii) is a member of the key management personnel of the Group or of the parent of the Group.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Related parties *(continued)*

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Property, plant and equipment

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

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

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

An item of property, plant and equipment, is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

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

| | |
|---|---|
| Leasehold buildings | 2.0% to 4.5% |
| Plant and machinery | 6.7% |
| Leasehold improvements, furniture, office equipment and motor vehicles | 20.0% |

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Intangible assets – Golf club membership

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

### Leases

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

***As lessee***

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

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

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Leases** *(continued)*

***As lessee*** *(continued)*

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

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

| | |
|---|---|
| Leasehold land | 2.0% to 3.7% |
| Factories and office | 25.0% to 33.3% |

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leases *(continued)*

***As lessee*** *(continued)*

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

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

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

A lease modification is accounted for as a separate lease if:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to HKFRS 16: COVID-19-Related Rent Concessions and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

**Leases** *(continued)*

***As lessee*** *(continued)*

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

**Financial instruments**

***Financial assets***

*Recognition and derecognition*

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

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

***Financial assets** (continued)*

*Classification and measurement*

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets.

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

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

*Financial assets measured at amortised cost*

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

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortised cost include cash and bank balances, trade receivables and financial assets included in prepayments, deposits and other receivables.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

***Financial liabilities***

*Recognition and derecognition*

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

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

*Classification and measurement*

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, loan from a fellow subsidiary and lease liabilities. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

*Financial guarantee contracts*

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

***Impairment of financial assets and other items***

The Group recognises loss allowances for ECL on financial assets that are measured at amortised cost and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

*Measurement of ECL*

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

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

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

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

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

(i) past due information

(ii) nature of instrument

(iii) nature of collateral, if any

(iv) industry of debtors

(v) geographical location of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

***Impairment of financial assets and other items*** *(continued)*

*Definition of default*

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

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

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

*Assessment of significant increase in credit risk*

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

***Impairment of financial assets and other items*** *(continued)*

*Low credit risk*

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

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

As detailed in note 29 to the consolidated financial statements, financial instruments including bank balances are determined to have low credit risk.

*Simplified approach of ECL*

For trade receivables without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Credit-impaired financial asset*

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

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

***Impairment of financial assets and other items*** *(continued)*

*Write-off*

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write off. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any recovery made is recognised in profit or loss.

### Inventories

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

### Cash and cash equivalents

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

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

### Provisions

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Income tax

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Government grants

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

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

### Revenue recognition

***Revenue from contracts with customers within HKFRS 15***

*Nature of goods*

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

*Identification of performance obligations*

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

(a) a good (or a bundle of goods) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

(a) the customer can benefit from the good either on its own or together with other resources that are readily available to the customer (i.e. the good is capable of being distinct); and

(b) the Group's promise to transfer the good to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good is distinct within the context of the contract).

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition *(continued)*

***Revenue from contracts with customers within HKFRS 15*** *(continued)*

*Timing of revenue recognition*

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

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

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

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

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

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

*Transaction price: significant financing components*

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition *(continued)*

***Interest income***

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

### Contract assets and contract liabilities

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

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

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

### Contract costs

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

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Contract costs *(continued)*

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

### Employee benefits

***Short term employee benefits***

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

***Retirement benefits***

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

Under the MPF Scheme, no forfeited contributions for the MPF Scheme may be used by the employer to reduce the existing level of contributions as the contributions are fully vested to the employees upon payments to the MPF Scheme.

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

Under the PRC RB Schemes, no forfeited contributions may be used by the employer to reduce the existing level of contributions.

### Borrowing costs

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Dividends

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

### Foreign currencies

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

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

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

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

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

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

### Judgments

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

***Deferred tax liability for withholding taxes***

The Group determines that no dividends are to be distributed by the PRC subsidiaries to the Company or any subsidiary outside the PRC in the foreseeable future. Therefore, no deferred tax liability for withholding taxes has been recognised in these consolidated financial statements. Please refer to note 24 to the consolidated financial statements for more details of the unrecognised deferred tax liability for withholding taxes.

### Estimation uncertainty

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

***Fair value of property, plant and equipment***

The Group estimates the fair value of its leasehold buildings and other property, plant and equipment (for impairment purpose) with reference to valuations performed by an independent professional valuer.

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

The valuation of property, plant and equipment (other than leasehold buildings) is performed using the market approach or where no second hand prices are available, the cost approach. The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transport, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation, which encompasses condition, utility, age, wear and tear, functional and economic obsolescence.

***Useful lives and residual values of property, plant and equipment***

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

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(continued)*

### Estimation uncertainty *(continued)*

***Impairment of property, plant and equipment and right-of-use assets***

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

***Loss allowance for ECL***

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumptions and inputs used in estimating ECL are set out in note 29 to the consolidated financial statements.

***Write-down of inventories***

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

***Income taxes***

At 31 December 2022, deferred tax asset of approximately HK$145.7 million (2021: HK$145.0 million) in relation to deductible temporary differences was recognised in the consolidated statement of financial position to the extent of the recognised taxable temporary difference. No deferred tax asset has been recognised on the tax losses of HK$124.7 million (2021: HK$651.6 million) and the remaining deductible temporary difference of HK$251.7 million (2021: HK$265.3 million) due to unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits or taxable temporary differences are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two (2021: two) reportable operating segments as follows:

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

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

The 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.

### (a) Segment results

**Year ended 31 December 2022**

| | Corn refined products HK$'000 | Corn sweeteners HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Segment revenue** | | | |
| Revenue from external customers | – | 359,567 | 359,567 |
| **Segment results** | (50,100) | (92,847) | (142,947) |
| *Reconciliation:* | | | |
| Unallocated bank interest income | | | 24 |
| Corporate and other unallocated expenses | | | (8,022) |
| Finance costs | | | (68,977) |
| **Loss before tax** | | | (219,922) |
| Income tax credit | | | 7,431 |
| **Loss for the year** | | | (212,491) |

## 4. OPERATING SEGMENT INFORMATION *(continued)*

### (b) Other segment information

**Year ended 31 December 2022**

| | Corn refined products HK$'000 | Corn sweeteners HK$'000 | Total HK$'000 |
|---|---|---|---|
| Capital expenditure | – | 136 | 136 |
| Sale of scrap raw materials, net of cost | (8,763) | – | (8,763) |
| Depreciation | | | |
| – Property, plant and equipment | 19,023 | 51,169 | 70,192 |
| – Right-of-use assets (a) | 3,764 | 1,484 | 5,248 |
| Reversal of write-down of inventories, net | (12) | – | (12) |
| Impairment of property, plant and equipment | – | 406 | 406 |
| Impairment of trade receivables, net | 12 | 434 | 446 |
| Impairment of prepayments, deposits and other receivables, net | 220 | 405 | 625 |

## 4. OPERATING SEGMENT INFORMATION *(continued)*

### (a) Segment results

Year ended 31 December 2021

| | Corn refined products HK$'000 | Corn sweeteners HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Segment revenue** | | | |
| Revenue from external customers | 774 | 727,325 | 728,099 |
| **Segment results** | (54,240) | (84,747) | (138,987) |
| *Reconciliation:* | | | |
| Unallocated bank interest income | | | 152 |
| Gain on debt restructuring | | | 128,279 |
| Corporate and other unallocated expenses | | | (9,475) |
| Finance costs | | | (77,898) |
| **Loss before tax** | | | (97,929) |
| Income tax credit | | | 1,667 |
| **Loss for the year** | | | (96,262) |

### (b) Other segment information

Year ended 31 December 2021

| | Corn refined products HK$'000 | Corn sweeteners HK$'000 | Total HK$'000 |
|---|---|---|---|
| Capital expenditure | 45 | 1,543 | 1,588 |
| Depreciation | | | |
| – Property, plant and equipment | 19,773 | 41,406 | 61,179 |
| – Right-of-use assets (a) | 3,900 | 1,516 | 5,416 |
| Loss on disposal of property, plant and equipment, net | – | 379 | 379 |
| Impairment of trade receivables, net | – | 27 | 27 |
| Write-down of inventories, net | 3,672 | 3,085 | 6,757 |
| Reversal of impairment of prepayments, deposits and other receivables, net | – | (4,957) | (4,957) |

Remark:

(a) Depreciation of right-of-use assets that was not attributable to any of the above segments amounted to HK$874,000 (2021: HK$1,652,000) was included in corporate and other unallocated expenses.

## 4. OPERATING SEGMENT INFORMATION *(continued)*

### (c) Geographical information

***Revenue information based on locations of customers***

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| The PRC | 346,575 | 713,426 |
| Asian region and others | 12,992 | 14,673 |
| | 359,567 | 728,099 |

***Non-current assets information based on locations of assets***

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| The PRC | 563,695 | 677,505 |
| Hong Kong | 1,167 | 2,041 |
| | 564,862 | 679,546 |

### (d) Information about major customers

No revenue from any customer from the corn refined products segment individually accounted for 10% or more of the Group's revenue for the Year (2021: Nil).

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Corn sweeteners: | | |
| Customer A | 66,495 | 111,504 |

## 5. REVENUE, OTHER INCOME AND GAINS

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Revenue from contracts with customers within HKFRS 15** | | |
| Sale of goods (a) | 359,567 | 728,099 |

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Other income and gains** | | | |
| Amortisation of deferred income | 23 | 2,279 | 2,361 |
| Bank interest income | | 24 | 152 |
| Foreign exchange gain, net | | 772 | – |
| Gain on debt restructuring | | – | 128,279 |
| Government grants (b) | | 851 | 698 |
| Rental income | | 1,258 | 1,602 |
| Reversal of impairment of prepayments, deposits and other receivables, net | | – | 4,957 |
| Reversal of write-down of inventories, net | | 12 | – |
| Subcontracting income | | 1,964 | 4,939 |
| Sale of scrap raw materials, net of cost | | 8,763 | – |
| Others | | 380 | 2,702 |
| | | 16,303 | 145,690 |

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$16,165,000 (2021: HK$23,265,000) (note 21(a)).

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

## 6. LOSS BEFORE TAX

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

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Employee benefit expenses (excluding directors' remuneration) | | | |
| – Wages and salaries | | 69,106 | 77,078 |
| – Pension scheme contributions (a) | | 21,786 | 22,054 |
| | | 90,892 | 99,132 |
| Cost of inventories sold (b) | | 332,300 | 686,511 |
| Auditor's remuneration | | 1,500 | 1,700 |
| Foreign exchange (gain) loss, net | | (772) | 118 |
| Depreciation | | | |
| – Property, plant and equipment | 13 | 70,192 | 61,179 |
| – Right-of-use assets | 14 | 6,122 | 7,068 |
| Lease payments on short-term leases | 14 | 2,398 | 2,484 |
| Loss on disposal of property, plant and equipment, net | | – | 379 |
| (Reversal of write-down) Write-down of inventories, net | | (12) | 6,757 |
| Impairment of trade receivables, net | 29 | 446 | 27 |
| Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net | 29 | 625 | (4,957) |
| Impairment of property, plant and equipment | 13 | 406 | – |
| Impairment of deposits paid for acquisition of property, plant and equipment, net | | – | 16 |

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 benefit expenses, depreciation and write-down of inventories amounted to HK$22,442,000 (2021: HK$40,244,000), which are also included in the respective total amounts disclosed separately above for each of these types of income and expenses.

## 7. FINANCE COSTS

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Interest on bank and other borrowings | | 68,126 | 68,369 |
| Interest on trade payables | | – | 9,493 |
| Interest on loan from a fellow subsidiary | 28(i) | 839 | – |
| Interest on lease liabilities | | 12 | 36 |
| | | 68,977 | 77,898 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Fees | 592 | 596 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | – | – |
| Pension scheme contributions | – | – |
| | – | – |
| | 592 | 596 |

### (i) Executive directors

According to the director's service contracts entered into between the Company and each of Mr. Wang Guicheng ("**Mr. Wang**") who was appointed as an executive director of the Company on 31 October 2022, Mr. Zhang Zihua ("**Mr. Zhang**") who resigned as an executive director of the Company on 11 October 2022 and Mr. Tai Shubin ("**Mr. Tai**"), these executive directors are not entitled to any salaries, allowances, performance bonuses, pension scheme contribution and any benefits in kind. No salaries, allowances, performance bonuses, pension scheme contribution and any benefits in kind was paid by the Group to the executive directors of the Company for the years ended 31 December 2022 and 2021.

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

### (ii) Independent non-executive directors

The fees paid to independent non-executive directors for their services to the Company during the year were as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Mr. Fan Yeran | 112 | 116 |
| Mr. Fong Wai Ho | 240 | 240 |
| Mr. Lo Kwing Yu | 240 | 240 |
| | 592 | 596 |

There were no other emoluments or allowances, performances bonuses, pension scheme contribution and any benefits in kind paid or payable to the independent non-executive directors of the Company during the years ended 31 December 2022 and 2021.

No emolument was paid by the Group to any of the directors and chief executive of the Company as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021. None of the directors and chief executive of the Company waived any emoluments during the years ended 31 December 2022 and 2021.

### (iii) Chief operating officer

The salaries, allowance, performance bonuses, pension scheme contribution and any benefits in kind of chief operating officer of the Group, Mr. Wang, was paid by the GBT Group for the years ended 31 December 2022 and 2021.

## 9. FIVE HIGHEST PAID EMPLOYEES

No director is included in the five highest paid employees during the Year (2021: Nil). Details of the remuneration of the five (2021: five) highest paid employees who are not directors nor chief executives of the Company are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | 1,808 | 1,725 |
| Pension scheme contributions | 76 | 75 |
| | 1,884 | 1,800 |

The highest paid employees fell within the following band:

| | 2022<br>Number of individuals | 2021<br>Number of individuals |
|---|---|---|
| Nil to HK$1,000,000 | 5 | 5 |

No performance related bonus was paid or payable by the Group to any of the highest paid non-director employees during the years ended 31 December 2022 and 2021. No emolument was paid or payable by the Group to the highest paid non-director employees as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2022 and 2021. The highest paid non-director employees did not waive any emoluments during the years ended 31 December 2022 and 2021.

## 10. INCOME TAX CREDIT

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2022 and 2021. 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.

| | Note | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| Deferred tax | | | |
| – Origination and reversal of temporary differences, net | 24 | (7,431) | (1,667) |
| Income tax credit | | (7,431) | (1,667) |

## 10. INCOME TAX CREDIT *(continued)*

A reconciliation of tax credit to loss before tax using the applicable tax rate is as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Loss before tax | **(219,922)** | (97,929) |
| Income tax at applicable tax rate | **(54,299)** | (23,687) |
| Non-deductible expenses | **3,648** | 1,471 |
| Tax-exempt revenue | **(20)** | (4) |
| Recognition of previously unrecognised deferred taxes and reversal of deferred taxes | **1,340** | 414 |
| Unrecognised tax losses | **41,900** | 33,335 |
| Utilisation of previously unrecognised tax losses | **–** | (13,196) |
| Income tax credit | **(7,431)** | (1,667) |

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

## 11. DIVIDENDS

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

## 12. 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$212,491,000 (2021: HK$96,262,000) and the weighted average number of ordinary shares in issue throughout the Year of 1,527,586,000 shares (2021: 1,527,586,000 shares).

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2021.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Notes | Leasehold buildings HK$'000 | Plant and machinery HK$'000 | Leasehold improvements, furniture, office equipment and motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Reconciliation of carrying amount – year ended 31 December 2021** | | | | | | |
| At 1 January 2021 | | 389,878 | 219,319 | 6,979 | 6,799 | 622,975 |
| Additions | | – | 1,244 | – | 344 | 1,588 |
| Disposals | | – | (488) | – | – | (488) |
| Depreciation | 6 | (28,111) | (30,254) | (2,814) | – | (61,179) |
| Gain on properties valuation | | 36,651 | – | – | – | 36,651 |
| Exchange realignment | | 6,196 | 5,220 | 130 | 187 | 11,733 |
| At 31 December 2021 | | 404,614 | 195,041 | 4,295 | 7,330 | 611,280 |
| **Reconciliation of carrying amount – year ended 31 December 2022** | | | | | | |
| At 1 January 2022 | | 404,614 | 195,041 | 4,295 | 7,330 | 611,280 |
| Additions | | – | 136 | – | – | 136 |
| Depreciation | 6 | (38,852) | (28,722) | (2,618) | – | (70,192) |
| Impairment | 6 | – | – | – | (406) | (406) |
| Exchange realignment | | (19,561) | (12,620) | (219) | (553) | (32,953) |
| At 31 December 2022 | | 346,201 | 153,835 | 1,458 | 6,371 | 507,865 |
| **At 31 December 2021** | | | | | | |
| At cost | | – | 1,325,593 | 30,027 | 40,840 | 1,396,460 |
| At valuation | | 404,614 | – | – | – | 404,614 |
| Accumulated depreciation and impairment losses | | – | (1,130,552) | (25,732) | (33,510) | (1,189,794) |
| Net carrying amount | | 404,614 | 195,041 | 4,295 | 7,330 | 611,280 |
| **At 31 December 2022** | | | | | | |
| At cost | | – | 1,195,118 | 27,243 | 38,002 | 1,260,363 |
| At valuation | | 379,000 | – | – | – | 379,000 |
| Accumulated depreciation and impairment losses | | (32,799) | (1,041,283) | (25,785) | (31,631) | (1,131,498) |
| Net carrying amount | | 346,201 | 153,835 | 1,458 | 6,371 | 507,865 |

## 13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

### Leasehold buildings

The leasehold buildings are situated on parcels of land of the Group in the PRC with remaining lease terms ranging from 9 to 50 years.

At 31 December 2022, the applications for building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$101,710,000 (2021: HK$118,478,000) were still in progress.

Had the Group's leasehold buildings been carried under the cost model, their carrying amount at 31 December 2022 would have been approximately HK$243,713,000 (2021: HK$283,101,000).

The Group's leasehold buildings held by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**") and other leasehold buildings were revalued individually at 30 September 2021 and 31 December 2021 respectively by Roma Appraisals Limited, an independent professional qualified valuer, at an aggregate open market value of HK$404,614,000 based on their existing use. A gain on properties revaluation of approximately HK$36,651,000 (before deferred tax) was recognised in other comprehensive income and credited to properties revaluation reserve during the year ended 31 December 2021.

The directors of the Company were of the opinion that there were no material differences between the carrying amount and fair value of the leasehold buildings at 31 December 2022. Therefore, no revaluation was performed at that date.

***Valuation processes***

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

***Fair value hierarchy***

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

| | Fair value measurement at 30 September 2021/31 December 2021 using | | | |
|---|---|---|---|---|
| | **Quoted prices in active market (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Recurring fair value measurement for: | | | | |
| Industrial properties | – | – | 382,054 | 382,054 |
| Residential properties | – | – | 22,560 | 22,560 |
| | – | – | 404,614 | 404,614 |

During the years ended 31 December 2022 and 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

### Leasehold buildings *(continued)*

***Fair value hierarchy*** *(continued)*

The movements in Level 3 fair value measurements during the years are as follows:

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| At 1 January | 404,614 | 389,878 |
| Gain on properties revaluation | – | 36,651 |
| Depreciation | (38,852) | (28,111) |
| Exchange realignment | (19,561) | 6,196 |
| At 31 December | 346,201 | 404,614 |

The gain on properties revaluation for the year ended 31 December 2021 represented the total gain for the year included in other comprehensive income for leasehold buildings held at 31 December 2021.

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 30 September 2021 (leasehold buildings held by Dihao Foodstuff) and 31 December 2021 (other leasehold buildings):

| Valuation technique | Significant unobservable input | Industrial properties | Residential properties |
|---|---|---|---|
| DRC approach | Construction cost (Renminbi/ square meter) | RMB610-RMB2,000 | RMB650-RMB2,100 |

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

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

## 14. RIGHT-OF-USE ASSETS

| | Notes | Leasehold land HK$'000 | Factories and office HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Reconciliation of carrying amount – year ended 31 December 2021 | | | | |
| At 1 January 2021 | | 66,954 | 1,069 | 68,023 |
| Addition | | – | 2,624 | 2,624 |
| Depreciation | 6 | (5,416) | (1,652) | (7,068) |
| Exchange realignment | | 2,983 | – | 2,983 |
| At 31 December 2021 | | 64,521 | 2,041 | 66,562 |
| **Reconciliation of carrying amount – year ended 31 December 2022** | | | | |
| At 1 January 2022 | | 64,521 | 2,041 | 66,562 |
| Depreciation | 6 | (5,248) | (874) | (6,122) |
| Exchange realignment | | (5,147) | – | (5,147) |
| **At 31 December 2022** | | 54,126 | 1,167 | 55,293 |
| **At 31 December 2021** | | | | |
| At cost | | 162,504 | 9,271 | 171,775 |
| Accumulated depreciation and impairment losses | | (97,983) | (7,230) | (105,213) |
| | | 64,521 | 2,041 | 66,562 |
| **At 31 December 2022** | | | | |
| At cost | | 149,037 | 9,271 | 158,308 |
| Accumulated depreciation and impairment losses | | (94,911) | (8,104) | (103,015) |
| | | 54,126 | 1,167 | 55,293 |

The leasehold land is granted with remaining lease terms ranging from 9 to 50 years and is situated in the PRC.

The Group leases various factories and office premises from fellow subsidiaries for its daily operations with lease terms of 1 to 3 (2021: 1 to 3) years.

### Restrictions or covenants

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

## 14. RIGHT-OF-USE ASSETS *(continued)*

### Lease liabilities

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Current portion | 951 | 946 |
| Non-current portion | 172 | 1,123 |
| | 1,123 | 2,069 |

The Group has recognised the following amounts for the years:

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Lease payments: | | | |
| Short-term leases | | 2,398 | 2,484 |
| Expenses recognised in profit or loss | 6 | 2,398 | 2,484 |
| Payment of lease liabilities | | 958 | 1,686 |
| | | 3,356 | 4,170 |

The lease payments were made by crediting the current account with the fellow subsidiaries. There was no cash outflow for leases during the years ended 31 December 2022 and 2021.

## 15. INTANGIBLE ASSETS

| | Golf club membership HK$'000 |
|---|---|
| **Reconciliation of carrying amount – years ended 31 December 2022 and 2021** | |
| At 1 January 2022 and 2021 and 31 December 2022 and 2021 | 1,704 |
| **At 31 December 2022 and 31 December 2021** | |
| At cost | 3,243 |
| Accumulated impairment losses | (1,539) |
| | 1,704 |

## 16. INVENTORIES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Raw materials | 36,496 | 53,375 |
| Finished goods | 5,938 | 12,237 |
| | 42,434 | 65,612 |

## 17. TRADE RECEIVABLES

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| Trade receivables | | 125,105 | 180,915 |
| Loss allowance | 29 | (76,145) | (81,248) |
| | | 48,960 | 99,667 |

The Group normally grants credit terms of 30 to 90 days (2021: 30 to 90 days) to established customers. The trade receivables are mainly denominated in Renminbi.

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 | 31,149 | 67,894 |
| 1 to 2 months | 11,434 | 19,357 |
| 2 to 3 months | 3,376 | 11,147 |
| Over 3 months | 3,001 | 1,269 |
| | 48,960 | 99,667 |

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

Information about the Group's exposure to credit risks and loss allowance for trade receivables is included in note 29 to the consolidated financial statement.

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Prepayments | 7,016 | 4,455 |
| Frozen deposits by banks for settlement of loans | – | 28,805 |
| Deposits and other debtors | 7,756 | 944 |
| The PRC value-added tax ("**VAT**") and other tax receivables | 11,804 | 14,546 |
| | 26,576 | 48,750 |

Information about the Group's exposure to credit risks and loss allowance for other receivables is included in note 29 to the consolidated financial statements.

## 19. CASH AND BANK BALANCES

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Cash and bank balances | 4,275 | 7,827 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to HK$3,504,000 (2021: HK$5,076,000). Renminbi held by subsidiaries in the PRC is not freely convertible into other currencies. However, under relevant regulations in the PRC's 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 are deposited with creditworthy banks with no recent history of default.

## 20. TRADE PAYABLES

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Trade payables | 85,882 | 113,804 |

The Group normally obtains credit terms ranging from 30 to 90 days (2021: 30 to 90 days) from its suppliers. The trade payables are mainly denominated in Renminbi.

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Within 1 month | 25,378 | 46,467 |
| 1 to 2 months | 1,793 | 3,564 |
| 2 to 3 months | 105 | 839 |
| Over 3 months | 58,606 | 62,934 |
| | 85,882 | 113,804 |

## 21. OTHER PAYABLES AND ACCRUALS

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Payables for purchases of machinery | **2,238** | 2,571 |
| Customer deposits and receipts in advance (a) | **15,639** | 16,165 |
| VAT and other duties payable | **110,330** | 108,316 |
| Accruals for employee benefits | **77,409** | 42,965 |
| Accrued expenses | **51,125** | 61,199 |
| Interest payables | **132,568** | 82,456 |
| | **389,309** | 313,672 |

Remark:

(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<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| At 1 January | **16,165** | 23,265 |
| Recognised as revenue | **(16,165)** | (23,265) |
| Receipt of advances or recognition of receivables | **15,639** | 16,165 |
| At 31 December | **15,639** | 16,165 |

**Unsatisfied or partially unsatisfied performance obligations**

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2022 and 2021 were part 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.

## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate | Maturity | Amount HK$'000 | Effective interest rate | Maturity | Amount HK$'000 |
| **Current** | | | | | | |
| Bank borrowings | | | | | | |
| – Unsecured | 6.8%-10.0% | On demand/ 2023 | 220,342 | 6.8%-10.0% | On demand/ 2022 | 274,146 |
| – Secured | 7.0%-8.4% | On demand/ 2023 | 241,477 | 5.8%-8.4% | On demand/ 2022 | 295,455 |
| Other borrowings | | | | | | |
| – Secured | 6.4%-10.0% | On demand/ 2023 | 333,534 | 6.4%-10.0% | On demand/ 2022 | 357,939 |
| | | | 795,353 | | | 927,540 |

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| **Analysed into:** | | |
| Bank and other borrowings repayable: | | |
| Within one year or on demand | 795,353 | 927,540 |

At 31 December 2022, the Group's interest-bearing bank and other borrowings amounting to HK$575,011,000 (2021: HK$653,394,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group amounted to HK$302,678,000 (2021: HK$415,448,000) and HK$13,244,000 (2021: HK$56,127,000), respectively, and a receivable of the GBT Group amounted to HK$113,636,000 (2021: HK$121,951,000).

At 31 December 2022, the Group's bank borrowings amounted to HK$214,774,000 (2021: HK$231,585,000) were unsecured and corporate guarantee was provided by GBT.

At 31 December 2022, the Group's other borrowing amounted to HK$128,989,000 (2021: HK$138,427,000) were secured and guaranteed by GBT.

At 31 December 2022 and 2021, all of the Group's bank and other borrowings were denominated in Renminbi.

## 22. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

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

Further details of the Group's management of liquidity risk are set out in note 29 to the consolidated financial statements. At 31 December 2022, the Group has defaulted in the repayment of certain bank and other borrowings of aggregate outstanding principal amount of approximately HK$614.7 million (2021: HK$517.8 million), which had been included in the breach of covenant, such breach of covenants and default in repayment may also trigger cross default provisions in other loan agreements

In respect of the loans in the aggregate principal amount of RMB189.0 million (2021: RMB189.9 million) and outstanding interest accrued thereon due to Jinzhou CCB, preservation of the bank balances (or assets of equivalent value) of approximately RMB213.9 million (2021: RMB213.9 million) of certain members of the Group and the GBT Group was granted by the order of the court in the PRC in favour of Jinzhou CCB.

## 23. DEFERRED INCOME

| | Note | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| At 1 January | | 25,476 | 27,202 |
| Amortisation | 5 | (2,279) | (2,361) |
| Exchange realignment | | (1,686) | 635 |
| At 31 December | | 21,511 | 25,476 |

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

## 24. DEFERRED TAX

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

| | Note | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| At 1 January | | 27,975 | 20,756 |
| Credited to profit or loss | 10 | (7,431) | (1,667) |
| Charged to other comprehensive income/equity | | – | 9,163 |
| Exchange realignment | | (3,182) | (277) |
| At 31 December | | 17,362 | 27,975 |

Recognised deferred tax assets and liabilities

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2022 HK$'000 | 2021 HK$'000 | 2022 HK$'000 | 2021 HK$'000 |
| Depreciation allowances | 78,371 | 76,786 | 13,299 | 15,247 |
| Deferred income arising from resumption of the Dihao Properties | – | – | 109,174 | 117,162 |
| Revaluation of leasehold buildings | – | – | 40,611 | 40,611 |
| Tax losses | 53,906 | 55,383 | – | – |
| Others | 13,445 | 12,876 | – | – |
| | 145,722 | 145,045 | 163,084 | 173,020 |
| Offsetting | (145,722) | (145,045) | (145,722) | (145,045) |
| Deferred tax liabilities, net | – | – | 17,362 | 27,975 |

Unrecognised deferred tax assets arising from:

| | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|
| Before multiplied by the applicable tax rates: | | |
| Deductible temporary differences | 251,700 | 265,300 |
| Tax losses | 124,700 | 651,600 |
| | 376,400 | 916,900 |

## 24. DEFERRED TAX *(continued)*

Deductible temporary differences of approximately HK$251.7 million (2021: HK$265.3 million) and tax losses arising in Hong Kong of approximately HK$47.8 million (2021: HK$47.8 million) have no expiry date under current tax legislations. Tax losses arising in the PRC of approximately HK$76.9 million (2021: HK$603.8 million) which are available for offsetting against future taxable profits of the subsidiaries in which the losses arose will expire in one to five years. The directors of the Company consider that no deferred tax assets should be recognised as it is uncertain whether future taxable profits can be generated by these subsidiaries to utilise these tax losses and deductible temporary differences.

Deferred tax has not been recognised for withholding taxes and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling HK$174.4 million at 31 December 2022 (2021: HK$249.0 million). The directors of the Company consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

## 25. SHARE CAPITAL

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Authorised: | | |
| 100,000,000,000 (2021: 100,000,000,000) ordinary shares of HK$0.10 each | 10,000,000 | 10,000,000 |
| Issued and fully paid: | | |
| 1,527,586,000 (2021: 1,527,586,000) ordinary shares of HK$0.10 each | 152,759 | 152,759 |

## 26. CAPITAL COMMITMENTS

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Contracted, but not provided for: | | |
| Purchase or construction of property, plant and equipment | 4,085 | 4,445 |

## 27. OTHER CASH FLOW INFORMATION

### (i) Cash generated from (used in) operations

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Loss before tax | (219,922) | (97,929) |
| Bank interest income | (24) | (152) |
| Finance costs | 68,977 | 77,898 |
| Depreciation | | |
| – Property, plant and equipment | 70,192 | 61,179 |
| – Right-of-use assets | 6,122 | 7,068 |
| Amortisation of deferred income | (2,279) | (2,361) |
| Gain on debt restructuring | – | (128,279) |
| Impairment of property, plant and equipment | 406 | – |
| Impairment of trade receivables, net | 446 | 27 |
| Impairment of deposits paid for acquisition of property, plant and equipment, net | – | 16 |
| Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net | 625 | (4,957) |
| Loss on disposal of property, plant and equipment, net | – | 379 |
| (Reversal of write-down) Write-down of inventories, net | (12) | 6,757 |
| | (75,469) | (80,354) |
| Changes in working capital: | | |
| Inventories | 19,151 | (9,234) |
| Trade receivables | 44,487 | (1,289) |
| Prepayments, deposits and other receivables | 18,708 | (26,978) |
| Trade payables | (20,632) | (143,818) |
| Other payables and accruals | 27,006 | (22,341) |
| Cash generated from (used in) operations | 13,251 | (284,014) |

## 27. OTHER CASH FLOW INFORMATION *(continued)*

### (ii) Changes in liabilities arising from financing activities

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

| | Due to the ultimate holding company HK$'000 | Loan from a fellow subsidiary HK$'000 | Interest-bearing bank and other borrowings HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2022 | – | – | 927,540 | 2,069 | 929,609 |
| **Changes from financing cash flows:** | | | | | |
| Increase in an amount due to the ultimate holding company | 13,473 | – | – | – | 13,473 |
| Decrease in amounts due to fellow subsidiaries | – | (15,674) | – | – | (15,674) |
| Repayment of interest-bearing bank and other borrowings | – | – | (68,945) | – | (68,945) |
| Loan from a fellow subsidiary | – | 39,660 | – | – | 39,660 |
| Interest paid | – | – | (4,644) | – | (4.644) |
| Total changes from financing cash flows | 13,473 | 23,986 | (73,589) | – | (36,130) |
| **Exchange realignment** | 404 | – | (63,242) | – | (62,838) |
| **Other changes:** | | | | | |
| Set off with amount due from fellow subsidiaries | (13,877) | 13,877 | – | – | – |
| Change in lease liabilities | – | 958 | – | (958) | – |
| Interest expenses | – | 839 | 4,644 | 12 | 5,495 |
| Total other changes | (13,877) | 15,674 | 4,644 | (946) | 5,495 |
| **At 31 December 2022** | – | 39,660 | 795,353 | 1,123 | 836,136 |

## 27. OTHER CASH FLOW INFORMATION *(continued)*

### (ii) Changes in liabilities arising from financing activities *(continued)*

| | Due to the ultimate holding company HK$'000 | Due to fellow subsidiaries HK$'000 | Interest-bearing bank and other borrowings HK$'000 | Lease liabilities HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2021 | – | 90,804 | 995,563 | 1,094 | 1,087,461 |
| **Changes from financing cash flows:** | | | | | |
| Increase in an amount due to the ultimate holding company | 21,813 | – | – | – | 21,813 |
| Decrease in amounts due to fellow subsidiaries | – | (106,275) | – | – | (106,275) |
| Proceeds from new interest-bearing bank and other borrowings | – | – | 173,049 | – | 173,049 |
| Repayment of interest-bearing bank and other borrowings | – | – | (161,585) | – | (161,585) |
| Interest paid | – | – | (39,928) | – | (39,928) |
| Total changes from financing cash flows | 21,813 | (106,275) | (28,464) | – | (112,926) |
| **Exchange realignment** | 482 | (8,510) | 24,281 | 1 | 16,254 |
| **Other changes:** | | | | | |
| Debt restructuring | – | – | (103,768) | – | (103,768) |
| Offsetting | (22,295) | 22,295 | – | – | – |
| New lease | – | – | – | 2,624 | 2,624 |
| Change in lease liabilities | – | 1,686 | – | (1,686) | – |
| Interest expenses | – | – | 39,928 | 36 | 39,964 |
| Total other changes | (22,295) | 23,981 | (63,840) | 974 | (61,180) |
| At 31 December 2021 | – | – | 927,540 | 2,069 | 929,609 |

### (iii) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, during the Year, amount due to the ultimate holding company in aggregate of HK$13.9 million (2021: HK$22.3 million) and amounts due from fellow subsidiaries in aggregate of HK$53.9 million (2021: HK$102.2 million) were assigned to or offset against amounts due to fellow subsidiaries as agreed among the relevant parties.

## 28. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the years:

### (i) Transactions with related parties

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| Purchases from fellow subsidiaries | | |
| – Corn starch and other raw materials (a) | 125 | 2,552 |
| Sales to fellow subsidiaries | | |
| – Corn sweeteners (a) | – | 90 |
| Interest on trade payables to the Nongtou Group | – | 9,493 |
| Interest on loan from a fellow subsidiary (b) | 839 | – |
| Reimbursement of cost of utilities provided by a fellow subsidiary (a) | 210 | 357 |
| Rental to fellow subsidiaries (c) | 2,398 | 2,484 |
| Licence fee paid to a fellow subsidiary (d) | 958 | 1,498 |

Remarks:

(a) After the expiries of (i) the agreement entered into between the GBT Group as supplier and the Group as purchaser in relation to the purchase of corn starch and other raw materials such as enzymes by the Group from the GBT Group; (ii) the agreement entered into between the Group as seller and the GBT Group as purchaser in relation to the sale of corn sweeteners by the Group to the GBT Group; and (iii) the agreement entered into between the GBT Group as supplier and the Group as customer in relation to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group (collectively, the "**Master Agreements**") on 31 December 2021, no transactions under the Master Agreements have been conducted. However, there have been insignificant amount of continuing connected transactions which are fully exempted from the shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules during the Year.

(b) The loan from a fellow subsidiary is unsecured, interest bearing at 8.0% per annum and is repayable on demand.

(c) The Group leases certain land and premises in the PRC from fellow subsidiaries. The rental expenses were charged based on lease agreements signed between the parties. The amount disclosed represents the lease payments made by crediting the current account with the fellow subsidiaries.

(d) The Group shares a premise in Hong Kong with a fellow subsidiary. The licence fee was charged based on the licence agreement signed between the parties.

### (ii) Balances with fellow subsidiaries

| | Note | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| Due from fellow subsidiaries (a) | | 5,547 | 33,675 |
| Loan from a fellow subsidiary | 28(i)(b) | (39,660) | – |
| Due (to) from fellow subsidiaries, net | | (34,113) | 33,675 |

(a) The balances with fellow subsidiaries are unsecured, interest-free and have no fixed term of repayment.

### (iii) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group who are the directors and chief executive of the Company is set out in note 8 to the consolidated financial statements.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Financial assets at amortised cost** | | |
| Trade receivables | 48,960 | 99,667 |
| Financial assets included in prepayments, deposits and other receivables | 7,756 | 29,749 |
| Due from fellow subsidiaries | 5,547 | 33,675 |
| Cash and bank balances | 4,275 | 7,827 |
| | 66,538 | 170,918 |

| | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|
| **Financial liabilities at amortised cost** | | |
| Trade payables | 85,882 | 113,804 |
| Financial liabilities included in other payables and accruals | 185,931 | 146,226 |
| Interest-bearing bank and other borrowings | 795,353 | 927,540 |
| Loan from a fellow subsidiary | 39,660 | – |
| Lease liabilities | 1,123 | 2,069 |
| | 1,107,949 | 1,189,639 |

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

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

### Interest rate risk

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

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

At the end of the reporting period, if interest rates had been 100 basis point higher/lower with all other variables held constant, the Group's loss before tax would have increased/decreased by HK$3,293,000/HK$3,318,000 (2021: HK$4,108,000/HK$4,168,000).

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Interest rate risk *(continued)*

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis points (2021: 100 basis points) increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2021.

### Credit risk

The Group's credit risk is primarily attributable to cash and bank balances, trade receivables and financial assets included in prepayments, deposits and other receivables and amounts due from fellow subsidiaries.

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

***Bank balances***

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

***Trade receivables***

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group normally allows credit terms of 30 to 90 days (2021: 30 to 90 days) to established customers. Overdue balances are reviewed regularly by the management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

At the end of the reporting period, the Group had a concentration of credit risk as 26.5% (2021: 23.8%) and 69.8% (2021: 68.4%) of the Group's total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Credit risk *(continued)*

***Trade receivables*** *(continued)*

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

**At 31 December 2022**

| | Expected loss rate % | Gross carrying amount HK$'000 | Loss allowance HK$'000 | Credit-impaired |
|---|---|---|---|---|
| Not past due | 0.4 | 46,122 | (162) | No |
| Less than 1 month past due | 0.6 | 2,493 | (14) | No |
| 1 to 9 months past due | 1.3 | 528 | (7) | No |
| Over 9 months past due | 100.0 | 75,962 | (75,962) | Yes |
| | | 125,105 | (76,145) | |

**At 31 December 2021**

| | Expected loss rate % | Gross carrying amount HK$'000 | Loss allowance HK$'000 | Credit-impaired |
|---|---|---|---|---|
| Not past due | 0.4 | 98,712 | (344) | No |
| Less than 1 month past due | 0.3 | 628 | (2) | No |
| 1 to 9 months past due | 0.9 | 679 | (6) | No |
| Over 9 months past due | 100.0 | 80,896 | (80,896) | Yes |
| | | 180,915 | (81,248) | |

The Group does not hold any collateral over trade receivables at 31 December 2022 and 2021.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Credit risk *(continued)*

***Trade receivables*** *(continued)*

At 31 December 2022, the Group recognised loss allowance of HK$76,145,000 (2021: HK$81,248,000) on the trade receivables. The movements in the loss allowance for trade receivables during the year are summarised below.

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| At 1 January | | 81,248 | 79,289 |
| Increase in allowance | 6 | 446 | 133 |
| Reversal of allowance | 6 | – | (106) |
| Exchange realignment | | (5,549) | 1,932 |
| At 31 December | | 76,145 | 81,248 |

***Amounts due from fellow subsidiaries and other receivables***

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

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

At 31 December 2022, the Group recognised loss allowance of HK$28,794,000 (2021: HK$30,244,000) on the other receivables based on lifetime ECL. The movements in the loss allowance for other receivables are summarised below.

| | Notes | 2022<br>HK$'000 | 2021<br>HK$'000 |
|---|---|---|---|
| At 1 January | | 30,244 | 35,967 |
| Increase in allowance | 6 | 625 | – |
| Reversal of allowance | 6 | – | (4,957) |
| Exchange realignment | | (2,075) | (766) |
| At 31 December | | 28,794 | 30,244 |

### Liquidity risk

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

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

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### Liquidity risk *(continued)*

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

**At 31 December 2022**

| | On demand HK$'000 | Less than 3 months HK$'000 | More than 3 months but less than 12 months HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Trade payables | – | 25,378 | 60,504 | – | – | 85,882 |
| Financial liabilities included in other payables and accruals | 185,931 | – | – | – | – | 185,931 |
| Interest-bearing bank and other borrowings | 614,672 | 27,959 | 218,457 | – | – | 861,088 |
| Loan from a fellow subsidiary | 39,660 | – | – | – | – | 39,660 |
| Lease liabilities | – | 261 | 697 | 174 | – | 1,132 |
| | 840,263 | 53,598 | 279,658 | 174 | – | 1,173,693 |

At 31 December 2021

| | On demand HK$'000 | Less than 3 months HK$'000 | More than 3 months but less than 12 months HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Trade payables | – | 50,870 | 62,934 | – | – | 113,804 |
| Financial liabilities included in other payables and accruals | 146,226 | – | – | – | – | 146,226 |
| Interest-bearing bank and other borrowings | 475,211 | 49,837 | 280,990 | 208,233 | – | 1,014,271 |
| Lease liabilities | – | 261 | 697 | 958 | 174 | 2,090 |
| | 621,437 | 100,968 | 344,621 | 209,191 | 174 | 1,276,391 |

## 30. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

## 31. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

| Name of subsidiary | Place of incorporation/ registration and operations | Kind of legal entity | Registered/ paid up capital | Percentage of equity attributable to the Company | Principal activities |
|---|---|---|---|---|---|
| **Directly held:** | | | | | |
| Global Sweeteners (HK) Limited | Hong Kong | Limited liability company | HK$1,000 | 100 | General administration |
| **Indirectly held:** | | | | | |
| Dihao Foodstuff# | The PRC | Limited liability company | Registered Capital RMB725,100,000 (Paid up: RMB307,574,472) | 100 | Manufacture and sale of corn sweeteners |
| Jinzhou Yuancheng Bio-chem Technology Co., Ltd.# | The PRC | Limited liability company | US$62,504,000 | 100 | Manufacture and sale of corn refined products |
| Jinzhou Dacheng Food Development Co., Ltd.# | The PRC | Limited liability company | US$7,770,000 | 100 | Manufacture and sale of corn sweeteners |
| Shanghai Hao Cheng Food Development Co., Ltd.# | The PRC | Limited liability company | US$9,668,000 | 100 | Manufacture and sale of corn sweeteners |

# Wholly-foreign-owned enterprise

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the financial performance of the Group for the Year or formed a substantial portion of the net liabilities/assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries issue debt securities.

## 32. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

| | Notes | 2022 HK$'000 | 2021 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | | – | – |
| Right-of-use asset | | 1,167 | 2,041 |
| | | 1,167 | 2,041 |
| **Current assets** | | | |
| Due from subsidiaries | 32(a) | 63,267 | 42,850 |
| Prepayments, deposits and other receivables | | 430 | 477 |
| Cash and cash equivalents | | 2 | 75 |
| | | 63,699 | 43,402 |
| **Current liabilities** | | | |
| Due to subsidiaries | 32(a) | 431,245 | 446,980 |
| Other payables and accruals | | 1,849 | 2,308 |
| Lease liability | | 951 | 946 |
| Financial guarantee contracts | | 269,232 | 54,551 |
| | | 703,277 | 504,785 |
| **Net current liabilities** | | (639,578) | (461,383) |
| **Total assets less current liabilities** | | (638,411) | (459,342) |
| **Non-current liabilities** | | | |
| Lease liability | | 172 | 1,123 |
| Financial guarantee contracts | | 41,844 | 40,074 |
| | | 42,016 | 41,197 |
| **NET LIABILITIES** | | (680,427) | (500,539) |
| **Capital and reserves** | | | |
| Share capital | | 152,759 | 152,759 |
| Reserves | 32(b) | (833,186) | (653,298) |
| **TOTAL DEFICIT** | | (680,427) | (500,539) |

This statement of financial position was approved and authorised for issue by the board of directors of the Company on 30 March 2023 and signed on its behalf by

**Wang Guicheng**
*Director*

**Tai Shubin**
*Director*

## 32. THE COMPANY'S STATEMENT OF FINANCIAL POSITION *(continued)*

### (a) Due from (to) subsidiaries

The amounts due are unsecured, non-interest bearing and repayable on demand.

### (b) Reserves

| | Contributed surplus HK$'000 | Share premium HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 January 2021 | 491,695 | 1,074,879 | (2,145,141) | (578,567) |
| Loss and total comprehensive loss for the year | – | – | (74,731) | (74,731) |
| At 31 December 2021 and 1 January 2022 | 491,695 | 1,074,879 | (2,219,872) | (653,298) |
| Loss and total comprehensive loss for the year | – | – | (179,888) | (179,888) |
| At 31 December 2022 | **491,695** | **1,074,879** | **(2,399,760)** | **(833,186)** |

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

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

## 33. EVENTS AFTER THE REPORTING PERIOD

### Termination of the Subscription

As announced by the Company on 28 February 2023, as the conditions precedent under the Subscription Agreement entered between the Company and the Subscriber have not been fully fulfilled (or waived by the Subscriber, as the case may be) on or before the extended long stop date of the Subscription Agreement (i.e. 28 February 2023) and there has not been any agreement to further extend the long stop date, the Subscription Agreement has therefore been terminated and all obligations of the Company and the Subscriber under the Subscription Agreement have ceased and determined.

## 34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 30 March 2023.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted (and as restated and reclassified) from the published audited consolidated financial statements is set out below.

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2022@ HK$'000 | 2021^ HK$'000 | 2020^ HK$'000 | 2019^ HK$'000 | 2018^ HK$'000 |
| **RESULTS** | | | | | |
| REVENUE | 359,567 | 728,099 | 769,024 | 1,956,820 | 1,961,004 |
| Cost of sales | (332,300) | (686,511) | (691,158) | (1,749,180) | (1,758,173) |
| Gross profit | 27,267 | 41,588 | 77,866 | 207,640 | 202,831 |
| Other income and gains | 16,303 | 145,690 | 309,129 | 18,371 | 20,374 |
| Selling and distribution costs | (32,076) | (53,087) | (61,252) | (180,386) | (188,649) |
| Administrative expenses | (97,846) | (92,582) | (94,741) | (111,807) | (109,323) |
| Other expenses | (64,593) | (61,640) | (111,413) | (38,120) | (56,179) |
| Finance costs | (68,977) | (77,898) | (110,103) | (75,672) | (74,540) |
| (LOSS) PROFIT BEFORE TAX | (219,922) | (97,929) | 9,486 | (179,974) | (205,486) |
| Income tax credit (expense) | 7,431 | 1,667 | (18,212) | 17,404 | (3,010) |
| LOSS FOR THE YEAR | (212,491) | (96,262) | (8,726) | (162,570) | (208,496) |
| Loss attributable to: | | | | | |
| Owners of the Company | (212,491) | (96,262) | (8,726) | (162,570) | (208,496) |
| Non-controlling interests | – | – | – | – | – |
| | (212,491) | (96,262) | (8,726) | (162,570) | (208,496) |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | At 31 December | | | | |
|---|---|---|---|---|---|
| | 2022 HK$'000 | 2021 HK$'000 | 2020 HK$'000 | 2019 HK$'000 | 2018 HK$'000 |
| TOTAL ASSETS | 687,107 | 935,077 | 1,304,524 | 1,398,974 | 1,572,267 |
| TOTAL LIABILITIES | (1,368,074) | (1,435,652) | (1,729,382) | (1,810,385) | (1,885,486) |
| NON-CONTROLLING INTERESTS | 5,931 | 6,382 | 6,225 | 5,794 | 5,931 |
| | (675,036) | (494,193) | (418,633) | (405,617) | (307,288) |

@ Details of the disclaimer of audit opinion are set out in the independent auditor's report on page 49 to page 50.

^ Disclaimer of audit opinion was issued in respect of the Group's consolidated financial statements for the years ended 31 December 2021, 2020, 2019 and 2018. Please refer to the Company's 2021, 2020, 2019 and 2018 annual reports for details.