GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED

大成生化科技集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00809)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Global Bio-chem Technology Group Company Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
			(Re-presented)
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	*4*	**898,541**	468,806
Cost of sales		**(832,516)**	(527,020)
Gross profit (loss)		**66,025**	(58,214)
Other income and gains	*4*	**124,677**	22,202
Gain on derecognition of a subsidiary	*6(b)*	**—**	588,747
Selling and distribution costs		**(44,081)**	(22,469)
Administrative expenses		**(127,711)**	(130,229)
Other expenses		**(52,422)**	(119,549)
Finance costs	*5*	**(124,231)**	(340,778)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(157,743)**	(60,290)
Income tax credit	*7*	**—**	30,531
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(157,743)**	(29,759)
DISCONTINUED OPERATIONS			
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS		**—**	(65,363)
LOSS FOR THE PERIOD		**(157,743)**	(95,122)

* *For identification purposes only*

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
			(Re-presented)
	Notes	***HK$'000***	*HK$'000*
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(229,443)**	402,327
Reclassification adjustment in respect of exchange reserve upon derecognition of a subsidiary		**—**	(79,632)
		(229,443)	322,695
Items that will not be reclassified subsequently to profit or loss:			
Gain on properties revaluation, net		**—**	95,475
Income tax effect		**—**	(23,869)
		—	71,606
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD, NET OF TAX		**(229,443)**	394,301
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(387,186)**	299,179

	Notes	Six months ended 30 June **2024** **(Unaudited)** ***HK$'000***	2023 (Unaudited) (Re-presented) *HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(157,743)**	(64,904)
Non-controlling interests		**—**	(30,218)
		(157,743)	(95,122)
(LOSS) PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY ARISING FROM:			
Continuing operations		**(157,743)**	459
Discontinued operations		**—**	(65,363)
		(157,743)	(64,904)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(387,186)**	307,737
Non-controlling interests		**—**	(8,558)
		(387,186)	299,179
(LOSS) EARNINGS PER SHARE, ARISING FROM			
Basic			
— Continuing operations	*8*	**HK (1.8) cents**	—
— Discontinued operations	*8*	**—**	HK (0.7) cents
		HK (1.8) cents	HK (0.7) cents
Diluted			
— Continuing operations	*8*	**HK (1.8) cents**	—
— Discontinued operations	*8*	**—**	HK (0.7) cents
		HK (1.8) cents	HK (0.7) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	30 June 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**3,602,147**	3,823,699
Right-of-use assets		**385,402**	396,473
Intangible assets		**2,047**	2,047
Interests in an associate		**—**	—
Interests in a joint venture		**—**	—
Equity investment at fair value through other comprehensive income		**208**	208
Financial assets at fair value through profit or loss ("**FVPL**")		**45,294**	17,140
		4,035,098	4,239,567
CURRENT ASSETS			
Inventories		**301,233**	148,332
Trade receivables	*11*	**78,801**	140,214
Prepayments, deposits and other receivables	*12*	**337,105**	363,196
Due from a joint venture		**2,330**	2,157
Due from former subsidiaries		**43,260**	—
Financial guarantee asset		**—**	227,273
Pledged bank deposits		**—**	111
Cash and bank balances		**66,256**	88,246
		828,985	969,529
CURRENT LIABILITIES			
Trade payables	*13*	**1,058,246**	904,170
Other payables and accruals		**3,688,206**	3,571,683
Due to an associate		**1,002**	746
Tax payables		**103,132**	103,533
Interest-bearing bank and other borrowings		**1,819,974**	3,587,853
Lease liabilities		**175**	345
Financial guarantee liability		**—**	227,273
		6,670,735	8,395,603
NET CURRENT LIABILITIES		**(5,841,750)**	(7,426,074)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(1,806,652)**	(3,186,507)

	Notes	30 June 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**—**	10,582
Lease liabilities		**324**	—
Deferred income		**28,690**	31,327
Deferred tax liabilities		**7,083**	7,240
Convertible bonds		**854,568**	801,250
		890,665	850,399
NET LIABILITIES		**(2,697,317)**	(4,036,906)
CAPITAL AND RESERVES			
Share capital	*14*	**890,741**	890,741
Convertible preference shares	*14*	**1,726,775**	—
Reserves		**(5,314,833)**	(4,927,647)
TOTAL DEFICIT		**(2,697,317)**	(4,036,906)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company 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. 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 Unit 1206, 12th Floor, The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The condensed consolidated financial statements for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

2.2 Going concern

The Group recorded a loss of approximately HK$157.7 million (six months ended 30 June 2023: approximately HK$95.1 million) for the Period and had net current liabilities of approximately HK$5,841.8 million (31 December 2023: approximately HK$7,426.1 million) and net liabilities of approximately HK$2,697.3 million (31 December 2023: approximately HK$4,036.9 million) as at 30 June 2024. In preparing these condensed consolidated financial statements, the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company, and the ability of the Group and the Company to attain profit and positive cash flows from operations and obtain additional funding in the immediate and longer term. The Company has taken the following steps to improve the financial position of the Group:

(a) Implementation of the resumption of the Relevant Properties to improve the financial position of the Group

As disclosed in the joint announcements of the Company and Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**") dated 23 December 2020 and 26 March 2021, and the announcements of the Company dated 8 March 2022 and 24 July 2023, as part of the Group's debt restructuring plan, four major lender banks of the Group had transferred the loans owed by the Group to 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**") and 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"). As disclosed in the announcement of the Company dated 4 January 2024, the Group was notified by Jilin Cinda and 吉林省農業發展集團有限公司 (Jilin Agricultural Development Group Co., Ltd.*) (formerly known as 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.*)) ("**Nongfa**", together with its subsidiaries, the "**Nongfa Group**") on 31 December 2023 that the loans with an aggregate outstanding principal of approximately Renminbi ("**RMB**") 4,267.8 million, together with outstanding interest, owed by the Group to Jilin Cinda (the "**Entire Transferred Loans**") had been transferred to Nongfa. On 31 December 2023, Nongfa, as the then creditor of the Entire Transferred Loans, and several subsidiaries of the Group, being the debtors and co-debtors of the Entire Transferred Loans, entered into a debt restructuring agreement (the "**Debt Restructuring Agreement**") pursuant to which the Group agreed to repay to Nongfa RMB1,580.0 million by no later than 30 January 2024 for the settlement of the Entire Transferred Loans. In January 2024, the Group transferred a total of RMB1,580.0 million (comprising the entire net proceeds from the completion (the "**CPS Subscription Completion**") of the subscription (the "**CPS Subscription**") of the convertible preference shares (the "**CPS**") issued by the Company on 4 January 2024 of approximately HK$1,716.8 million and self-financing fund) to Nongfa for the purpose of the settlement of the Entire Transferred Loans, and all repayment obligations of the Group under the Debt Restructuring Agreement had been fulfilled.

The Group will strive to resolve the outstanding amount of RMB815.0 million owed to Changchun Rudder which included a portion of loans owed by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), 長春大成生物科技開發有限公司 (Changchun Dacheng Bio-Tech Development Co., Ltd.*) ("**Dacheng Bio-Tech**") and 長春大合生物技術開發有限公司 (Changchun Dahe Bio Technology Development Co., Ltd.*) ("**Changchun Dahe**"), indirect wholly-owned subsidiaries of the Company, that was first transferred by the then creditors to Jilin Cinda, and then further transferred to Changchun Rudder, and finally repurchased by the Group from Changchun Rudder at a total consideration of RMB815.0 million (the "**Repurchased Loans**") on 31 March 2021.

In relation to the Repurchased Loans, as previously disclosed in the joint announcement of the Company and GSH dated 6 April 2023, it is the current plan of the Group that the outstanding consideration for the purchase of the Repurchased Loans will be settled by the proceeds from the resumption of the remaining land and buildings situated in Luyuan District, Changchun, the People's Republic of China (the "**PRC**" or "**China**") (the "**Relevant Properties**"). As certain portion of the Relevant Properties held by the Group have been pledged as security for the Repurchased Loans, even if the land resumption does not take place in time or at all, the pledgee-lenders may apply for the pledged properties to be sold by way of auction and receive proceeds of sale settling the Repurchased Loans.

During the Period, the discussion with the Changchun Municipal People's Government in respect of the resumption of the Relevant Properties has been ongoing. The Directors expect that the proceeds from the resumption of the Relevant Properties will be sufficient for the settlement of Repurchased Loans and will raise additional funds to finance the Group's operation. The Directors currently expect that the outstanding consideration for the purchase of the Repurchased Loans will be settled during 2024 and/or 2025.

(b) Monitoring of the Group's operating cash flows

The Group has taken various measures to minimise the operating cost and develop new business line to enhance the operating cash inflow during market turbulence. During the Period, the Group has continued to maximise the production capacity of the production facilities in amino acids operation and launched a series of high value-added products to expand the sales. As a result, the Group recorded a gross profit of HK$66.0 million (2023: gross loss of HK$58.2 million) during the Period.

(c) Financial support from the indirect major shareholder of the Company

The Group has received an updated written confirmation dated 29 February 2024 (the "**Confirmation**") from Nongfa, a controlling shareholder of the Company, that it would continue to provide financial support to the Group in the 24 months following the date of the Confirmation on a going concern basis. Such assistance received by the Group was not secured by any assets of the Group.

Nongfa, being a state-owned enterprise, was established in August 2016 and its unaudited net asset value as at 30 June 2024 amounted to approximately RMB1,719.6 million (31 December 2023: approximately RMB2,010.7 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 Nongfa will be able to support the operations of the Group, provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group.

As at 30 June 2024, the Group's liabilities due to the Nongfa Group amounted to approximately HK$1,740.2 million (31 December 2023: HK$3,153.2 million) and the Nongfa Group agreed to support the Group and agreed that repayment request will not be made while the financial situation of the Group does not allow. In addition, the Directors are of the view that the Nongfa Group would be able to support the operations of the Group by providing a stable supply of corn with better commercial terms via the master supply agreement entered into between the Group, as purchaser, and Nongfa Group, as seller, for supplying the corn kernels with effect from 21 December 2023.

(d) Completion of the issue of CPS

Pursuant to the announcement of the Company dated 4 January 2024, all the conditions precedent set out in the agreement of the CPS Subscription dated 30 November 2023 (the "**CPS Subscription Agreement**") entered into between the Company, 吉林省利亨股權投資合夥企業(有限合夥) (Jilin Province Liheng Equity Investment Partnership (Limited Partnership)*) ("**Jilin Liheng**"), a limited partnership established in the PRC and 吉林省元亨股權投資合夥企業(有限合夥) (Jilin Province Yuanheng Equity Investment Partnership (Limited Partnership)*) ("**Jilin Yuanheng**"), a limited partnership established in the PRC (collectively, the "**CPS Subscribers**") in relation to the issuance by the Company of, and the subscription by the CPS Subscribers for, the CPS had been fulfilled and the CPS Subscription Completion took place on 4 January 2024. The Company subsequently issued in aggregate 17,267,750,569 CPS to the CPS Subscribers, receiving the net proceeds of approximately HK$1,716.8 million from the CPS Subscription, which had been used to repay Nongfa in relation to the Entire Transferred Loans which had been transferred from Jilin Cinda to Nongfa on 31 December 2023. As such, the financial position of the Group improved significantly.

The Directors, including all members of the audit committee (the "**Audit Committee**") of the Company, have reviewed the cash flow forecast prepared by the management on the basis that the measures mentioned above shall have a successful and favourable outcome, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the 12 months from 30 June 2024.

Accordingly, the Directors consider that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. The adoption of the going concern basis may be inappropriate as the outcome of the measures as described above are uncertain.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted in preparing the condensed consolidated financial statements for the Period are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2023, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("**HKFRSs**") which are relevant to the Group and are effective from the Period.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four (six months ended 30 June 2023: four) reportable operating segments during the Period as follows:

(a) the upstream products segment engages in the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products;

(b) the amino acids segment engages in the manufacture and sale of corn based biochemical products, including lysine and threonine;

(c) the corn sweeteners segment engages in the manufacture and sale of corn sweeteners, including glucose, maltose and maltodextrin; and

(d) the polyol chemicals segment engages in the manufacture and sale of corn based biochemical products, including polyol chemicals, anti-freeze products, hydrogen and ammonia.

The completion of a sale and purchase agreement dated 6 April 2023 (the "**GSH SPA**") entered into between Global Corn Bio-Chem Technology Company Limited ("**Global Corn Bio-Chem**"), a direct wholly-owned subsidiary of the Company and Mr. Kong Zhanpeng and Mr. Wang Tieguang (the "**GSH Joint Offerors**"), pursuant to which the GSH Joint Offerors have conditionally agreed to acquire and Global Corn Bio-Chem has conditionally agreed to sell 717,965,000 ordinary shares of GSH, representing approximately 47.00% of the then entire issued share capital of GSH (the "**GSH Sale Shares**"), took place on 21 December 2023 (the "**GSH Completion**"). As such, the GSH Group, excluding 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**") (together with Dihao Foodstuff, the "**Dihao Companies**") (the "**GSH Disposal Group**") had been represented as discontinued operations of the Group throughout the condensed consolidation financial statement for the corresponding prior period. The corn sweeteners businesses operated by Dihao Companies are still grouped under corn sweeteners segment of the continuing operations of the Group.

The management, who is the chief operating decision-maker, monitors the results of the Group's operating segments separately for the purpose of making decisions in relation to resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs as well as corporate income and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the prevailing selling prices used for sales made to third parties.

(a) Segment results

Six months ended 30 June 2024 (Unaudited)

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Continuing operations					
Revenue from:					
External customers	**140,093**	**758,448**	**—**	**—**	**898,541**
Segment results	**(83,780)**	**(26,583)**	**(18,274)**	**(4,018)**	**(132,655)**
Bank interest income					**186**
Unallocated income					**57,095**
Unallocated expenses					**(25,529)**
Government grants					**67,391**
Finance costs					**(124,231)**
Loss before tax					**(157,743)**
Income tax expenses					**—**
Loss for the period					**(157,743)**

Six months ended 30 June 2023 (Unaudited) (Re-presented)

	Upstream products HK$'000	Amino acids HK$'000	Corn sweeteners HK$'000	Polyol chemicals HK$'000	Total HK$'000
Continuing operations					
Revenue from:					
External customers	90,332	378,474	—	—	468,806
Segment results	(162,626)	(99,077)	(19,733)	(7,453)	(288,889)
Bank interest income					122
Unallocated income					11,582
Unallocated expenses					(31,074)
Gain on derecognition of a subsidiary					588,747
Finance costs					(340,778)
Loss before tax					(60,290)
Income tax credit					30,531
Loss for the period from continuing operations					(29,759)
Discontinued operations					
Loss for the period from discontinued operations					(65,363)
Loss for the period					(95,122)

(b) Geographical information

Revenue information based on location of customers

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
		(Re-presented)
	HK$'000	*HK$'000*
Continuing operations		
The PRC	**591,521**	398,521
Asia, the Americas and other regions	**307,020**	70,285
	898,541	468,806
Discontinued operations		
The PRC	**—**	186,086
Asia, the Americas and other regions	**—**	7,575
	—	193,661

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
		(Re-presented)
	HK$'000	*HK$'000*
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	**898,541**	468,806
Other income and gains		
Amortisation of deferred income	**1,984**	3,328
Bank interest income	**186**	122
Appreciation in fair value of financial assets at FVPL	**28,154**	—
Government grants (b)	**67,391**	—
Reversal of impairment of trade receivables, net	**2,139**	595
Gain on properties revaluation, net	**—**	8,309
Reversal of impairment of prepayments, deposits and other receivables, net	**13,716**	1,475
Foreign exchange gain, net	**5,552**	—
Sale of scrap materials	**528**	5,362
Others	**5,027**	3,011
	124,677	22,202

Remarks:

(a) The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.

(b) Government grants represented rewards to a subsidiary of the Company with no further obligations and conditions to be complied with.

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
		(Re-presented)
	HK$'000	*HK$'000*
Continuing operations		
Interest on bank and other borrowings	**28,860**	223,824
Interest on financial guarantees given by Nongfa	**9,511**	9,731
Interest on payables to suppliers	**32,533**	54,215
Imputed interest on convertible bonds issued on 15 October 2015 ("**Convertible Bonds**")	**53,318**	53,000
Interest on lease liabilities	**9**	8
	124,231	340,778

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
		(Re-presented)
	HK$'000	*HK$'000*
Employee benefit expense (excluding Directors' remuneration)		
— Wages and salaries	**60,918**	54,962
— Pension scheme contributions	**8,172**	9,582
	69,090	64,544
Cost of inventories sold (a)	**832,516**	527,020
Depreciation		
— Property, plant and equipment	**127,208**	126,142
— Right-of-use assets	**8,207**	9,498
Amortisation of deferred income	**(1,984)**	(3,328)
Appreciation in fair value of financial assets at FVPL	**(28,154)**	—
Foreign exchange gain, net	**(5,552)**	—
Gain on derecognition of a subsidiary (b)	**—**	(588,747)
Impairment of property, plant and equipment	**—**	16,568
Reversal of write-down of inventories, net	**—**	(6,745)
Reversal of impairment of trade receivables, net	**(2,139)**	(595)
Reversal of impairment of prepayments, deposits and other receivables, net	**(13,716)**	(1,475)

Remarks:

(a) Cost of inventories sold includes employee benefit expenses, depreciation and reversal of write-down of inventories, which are also included in the respective amounts disclosed separately above for each of these types of income and expenses.

(b) In April 2023, 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) ("**Harbin Dacheng**"), an indirect wholly-owned subsidiary of the Company prior to the date of its derecognition, received a notice from 賓縣人民法院 (People's Court of Bin County*) (the "**Court**") notifying Harbin Dacheng that one of its creditors had applied to the Court to wind up Harbin Dacheng on the ground that Harbin Dacheng was insolvent. On 12 June 2023 (the "**Receivership Date**"), the Court accepted the application and appointed joint and several receivers to take over Harbin Dacheng's property, company's seal, account books, documents and other data. In this regard, the management considered that the Group no longer has control of whatsoever nature over the affairs of Harbin Dacheng since the Receivership Date in accordance with HKFRS 10. Based on the above, Harbin Dacheng ceased to be a subsidiary of the Company since the Receivership Date. All assets and liabilities of Harbin Dacheng were derecognised from the condensed consolidated financial statements of the Company and the Group recognised a one-off gain of approximately HK$588.7 million regarding the derecognition of the assets and liabilities of Harbin Dacheng for the six months ended 30 June 2023.

7. INCOME TAX CREDIT

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Period and the six months ended 30 June 2023.

During the Period and the six months ended 30 June 2023, no provision for the PRC enterprise income tax was made as all subsidiaries of the Group in the PRC incurred tax losses or the estimated assessable profits were wholly absorbed by tax losses brought forward from previous years.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
		(Re-presented)
	HK$'000	*HK$'000*
Continuing operations		
Deferred tax		
— Origination and reversal of temporary differences, net	**—**	30,531
Income tax credit	**—**	30,531

8. (LOSS) EARNINGS PER SHARE

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
		(Re-presented)
(Loss) Profit attributable to owners of the Company arising from (in HK$'000):		
— Continuing operations	**(157,743)**	459
— Discontinued operations	**—**	(65,363)
	(157,743)	(64,904)
Weighted average number of ordinary shares of the Company (the "**Shares**") for basic and diluted (loss) earnings per Share	**8,907,405,717**	8,907,405,717
Basic and diluted (loss) earnings per Share (HK cents per Share)		
— Continuing operations	**(1.8)**	—*
— Discontinued operations	**—**	(0.7)
	(1.8)	(0.7)

* the amount represents less than HK0.01 cents

As the assumed conversion of the Convertible Bonds and CPS (30 June 2023: Convertible Bonds) has an anti-dilutive effect, the diluted (loss) earnings per Share was equal to the basic (loss) earnings per Share for the Period and the six months ended 30 June 2023.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Period (six months ended 30 June 2023: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	HK$'000	*HK$'000*
At 1 January	**3,823,699**	4,706,470
Additions	**—**	2,446
Disposals	**—**	(650)
Derecognition of a subsidiary	**—**	(202,962)
Disposal of subsidiaries	**—**	(312,325)
Impairment	**—**	(21,276)
Gain on properties revaluation, net	**—**	86,393
Depreciation	**(127,208)**	(283,020)
Exchange realignment	**(94,344)**	(151,377)
At 30 June/31 December	**3,602,147**	3,823,699

11. TRADE RECEIVABLES

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**406,431**	480,900
Loss allowance	**(327,630)**	(340,686)
	78,801	140,214

The Group normally allows credit terms of 30 to 90 days (31 December 2023: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group.

Trade receivables are non-interest bearing. At the end of the reporting period, the Group had a concentration of credit risk as 14.9% (31 December 2023: 9.3%) and 24.6% (31 December 2023: 17.4%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

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

	30 June 2024 (Unaudited) *HK$'000*	31 December 2023 (Audited) *HK$'000*
Within 1 month	**43,029**	97,765
1 to 2 months	**8,347**	22,097
2 to 3 months	**2,471**	13,822
3 to 6 months	**7,411**	578
Over 6 months	**17,543**	5,952
	78,801	140,214

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2024 (Unaudited) *HK$'000*	31 December 2023 (Audited) *HK$'000*
Prepayments	**49,439**	65,145
Deposits and other debtors	**59,223**	44,480
The PRC value-added tax ("**VAT**") and other tax receivables	**101,434**	123,770
Receivables from disposal of assets (a)	**127,009**	129,801
	337,105	363,196

Remark:

(a) Included in the receivables from disposal of assets was the remaining consideration receivable in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land located in Luyuan District in Changchun during the year ended 31 December 2014, which amounted to approximately HK$107,527,000 (31 December 2023: HK$109,890,000) at 30 June 2024.

13. TRADE PAYABLES

	30 June 2024 (Unaudited) *HK$'000*	31 December 2023 (Audited) *HK$'000*
Trade payables		
— To third parties	**606,304**	636,924
— To the Nongfa Group (a)	**451,942**	267,246
	1,058,246	904,170

Remark:

(a) The trade payables to the Nongfa Group are unsecured and interest-bearing at 6.5% to 7.8% per annum (31 December 2023: 6.5% to 7.8% per annum) after the lapse of the credit periods.

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2023: 30 to 90 days) from its suppliers.

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

	30 June 2024 (Unaudited) *HK$'000*	31 December 2023 (Audited) *HK$'000*
Within 1 month	**227,481**	76,963
1 to 2 months	**28,572**	4,091
2 to 3 months	**9,640**	239
Over 3 months	**792,553**	822,877
	1,058,246	904,170

14. SHARE CAPITAL/CPS

	30 June 2024 (Unaudited) *HK$'000*	31 December 2023 (Audited) *HK$'000*
Authorised:		
30,000,000,000 (31 December 2023: 30,000,000,000) ordinary Shares of HK$0.10 each	**3,000,000**	3,000,000
30,000,000,000 (31 December 2023: 30,000,000,000) CPS of HK$0.10 each	**3,000,000**	3,000,000
Issued and fully paid:		
8,907,405,717 (31 December 2023: 8,907,405,717) ordinary Shares of HK$0.10 each	**890,741**	890,741
17,267,750,569 (31 December 2023: Nil) CPS of HK$0.10 each	**1,726,775**	—

As at 30 June 2024, the total nominal amount of the Company's issued Shares was approximately HK$2,617,516,000 comprising approximately HK$890,741,000 for ordinary Shares and approximately HK$1,726,775,000 for CPS.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW

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

During the Period, the global economy faced growing uncertainties and instability. Persistent inflationary pressures, escalating geopolitical conflicts, and sluggish international trade posed severe challenges to the global economy. The World Bank predicted that the global economy would grow by 2.6% in 2024, which is significantly lower than the 3.1% global economic growth rate in the decade before the coronavirus disease pandemic.

The PRC government has set a moderate annual growth target at around 5% for 2024. However, the path to economic recovery in China is bumpy. Despite the growth of gross domestic product in China by 5.3% in the first quarter of 2024 compared to the corresponding period last year and that the Ministry of Commerce in the PRC has designated 2024 as the "Year of Consumption Promotion Boost" to promote the continued expansion of consumption, the economy in China is still facing significant challenges including but not limited to declining property investments, accumulating debt risks and weak consumption growth. The challenges to China's economy are not expected to be easily nor quickly resolved. It is expected that the operating environment of the Group will remain challenging for a long period of time.

Regarding the corn supply, global corn production for the year 2024/25 is estimated at 1,224.8 million metric tonnes ("**MT**") (2023/24: 1,225.5 million MT), according to the estimation published by the United States Department of Agriculture in July 2024. The United States corn production is expected to increase due to larger planted areas for harvest. As such, the total global production is still at a relatively high level, leading to the drop of international corn price to 397 US cents per bushel (equivalent to RMB1,135 per MT) (end of June 2023: 555 US cents per bushel (equivalent to RMB1,585 per MT)) by the end of June 2024.

In the PRC, according to the Chinese Agricultural Supply and Demand Estimates Report published in June 2024, domestic corn harvest in 2024/25 is estimated to produce approximately 297.0 million MT (2023/2024: approximately 288.8 million MT) of corn, with consumption volume estimated at 299.6 million MT (2023/24: 295.0 million MT). During the Period, the pressure for over-capacity in feed and breeding industry persist, leading to the constant weakness in downstream demand and over supply for the domestic corn. As such, the domestic corn price dropped to approximately RMB2,464 per MT (end of June 2023: RMB2,760 per MT) by the end of June 2024. The Group will closely monitor the trend of corn price and the market of upstream products for the resumption of the upstream production facilities in the Xinglongshan site at an appropriate time.

In the lysine market, the global lysine market experienced a period of ups and downs in the first half of 2024. The national average sales price of the swine during the Period was RMB15.37 per kilogram, increased by 4.99% from the end of 2023. The swine husbandry industry experienced a market rebound during the Period, rising domestic swine prices supported the demand for animal feed. Various feed enterprises reduced corn and soybean meal substitution in their animal feed, laying a solid consumption foundation for feed amino acids and leading to the growth in the market of amino acids. As a result, an overall upward price trend of amino acid products had been observed during the Period.

In addition, along with the development of modern biomanufacturing technology, the demand of high value-added amino acid products has continued to increase in recent years. Changchun Dahe has hold on the trend of market change and launched various new amino acids products with higher profit margin, couple with the sustained adequate operating cashflow to support the increment of production of amino acids during the Period, as such, significant improvement on the revenue and gross profit for Group's lysine segment were recorded during the Period against the intense market competition in lysine industry.

As the GSH Disposal Group ceased to be a part of the Group, the assets, liabilities and financial results of the GSH Disposal Group were no longer consolidated into the consolidated financial statements of the Group. As the operation of the sweeteners production facilities in the Xinglongshan site have been suspended since the first quarter of 2020, no sale of sweeteners segment of the Group had been recorded during the Period.

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

Nevertheless, the changes in consumption pattern and increased health awareness of the general public are pushing the Group to develop new product mix and enhance the competitiveness. During the Period, the Group launched various new amino acids products with high profit margin and enhanced the production technology to lower the production cost to strengthen its market position within the corn refinery industries. In addition, the Group expects to maintain a relatively healthy cash flow, further decline the production cost by the implementation of refurbishment projects and endeavour to explore opportunities to cooperate with different industry players to expand the production of high profit margin products while the Group resumed the production facilities in the Xinglongshan site.

IMPLEMENTATION OF CG CODE

During the Period, the Group has implemented the following internal control measures and procedures to ensure sufficiently clear and prominent disclosure and discussion as per the requirement of code provision D.1.3 of part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules:

(1) the Company has prepared a corporate governance and disclosure compliance checklist (the "**Compliance Checklist**"), which is updated from time to time as appropriate, in relation to the required disclosures to be made in the annual report/interim report of the Company, which the company secretarial staff will check during the preparation of the annual report/interim report (including the corporate governance report) and prior to their publication to ensure that the relevant disclosures are made in the designated section of the annual report/interim report in compliance with Listing Rules; and

(2) the Company has provided monthly training (by sending latest and relevant materials or provision of physical trainings) to the Directors, training of which includes updates on the CG Code in details so as to ensure that the respective Directors are fully aware of their responsibilities and the Company's disclosure obligations.

FINANCIAL PERFORMANCE

Continuing Operations

During the Period, the Group has endeavored to maximise the production capacity of its production facilities in amino acids operation and launched a series of high value-added amino acid products to expand the sales in the first half of 2024. As a result, the consolidated revenue of the Group increased significantly by approximately 91.7% to approximately HK$898.5 million (2023: HK$468.8 million) during the Period. Meanwhile, as the average corn purchase price dropped by 18.0% and the total average production cost per unit decreased by 18.6%, together with stable of market price of lysine products, the Group recorded gross profit of approximately HK$66.0 million (2023: gross loss: HK$58.2 million) with gross profit margin of 7.3% (2023: gross loss margin: 12.4%) during the Period.

Upstream products

(Sales amount: HK$140.1 million (2023: HK$90.3 million))
(Gross loss: HK$5.8 million (2023: HK$7.9 million))

Despite the Group has endeavored to maximise the production capacity of production facilities in Changchun Dahe and provided sufficient raw materials, i.e. corn starch, for its amino acids production during the Period, all the corn starch produced by the Group was for internal use and there was no external sale for corn starch during the Period and the corresponding prior period. The sale of the Group's other corn refined products increased by approximately 96.3% to approximately 53,000 MT (2023: 27,000 MT) during the Period, amounted to approximately HK$140.1 million (2023: HK$90.3 million). Due to the continuation of the poor market sentiment of the corn refinery industries, the other corn refined products recorded gross loss of approximately HK$5.8 million (2023: HK$7.9 million) for the Period, with gross loss margin of 4.1% (2023: 8.7%).

Amino acids

(Sales amount: HK$758.4 million (2023: HK$378.5 million))
(Gross profit: HK$71.8 million (2023: Gross loss: HK$50.3 million))

The amino acids segment consists of lysine, protein lysine and threonine products. During the Period, the Group has increased the utilisation rate of production facilities in amino acids operation in order to minimise the operation cost and launched a series of high value-added products to expand the sales. As a result, the Group's amino acids segment recorded a significant increase in revenue by approximately 100.4% to HK$758.4 million (2023: HK$378.5 million) with sales volume of 123,000 MT (2023: 65,000 MT) for the Period. In addition to the decline of corn price, the Group has implemented various production process upgrade and cost saving measures, couple with the stable of market price of lysine products during the Period, the Group recorded gross profit of the amino acids segment of approximately HK$71.8 million (2023: gross loss: HK$50.3 million) with gross profit margin of 9.5% (2023: gross loss margin: 13.3%) for the Period.

The outlook on the amino acids segment is expected to be relatively stable in the second half of 2024 with the arrival of peak season of the feed industry and abundant supply of corn. The Group will remain cautious and continue to closely monitor the development of the market conditions and devote to facilitate various refurbishment projects to further lower the production cost as well as enhance the competitiveness within the amino acids industry.

Corn sweeteners

(Sales amount: Nil (2023: Nil))
(Gross profit: Nil (2023: Nil))

Upon the GSH Completion, the financial results of GSH, which mainly operated on corn sweeteners segment, have been represented as discontinued operations of the Group throughout the condensed consolidated financial statements of the Group for the corresponding prior period. As the sweeteners production facilities of the Group in the Xinglongshan sites have been suspended since the first quarter of 2020, no sale had been recorded for the sweeteners segment of the Group during the Period and 2023.

Polyol chemicals

(Sales amount: Nil (2023: Nil))
(Gross profit: Nil (2023: Nil))

The polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. Due to the prolonged challenging operating environment of polyol chemicals business, the Group had suspended the production to minimise financial risks and secure financial resources since the last quarter of 2022 and no sale of polyol chemicals products was recorded during the Period and the corresponding prior period.

Export sales

During the Period, export sales which mainly represented the sales of amino acids and other corn refined products accounted for approximately 33.2% (2023: 10.6%) and 1.0% (2023: Nil) of the Group's total revenue, respectively. The export sales of the Group amounted to approximately HK$307.0 million (2023: HK$70.3 million) during the Period, representing an increase of approximately 336.7% as compared to the corresponding prior period. During the Period, the Group exported approximately 37,000 MT (2023: 9,700 MT) and 7,000 MT (2023: Nil) of amino acids and other corn refined products respectively. No export sales of corn sweeteners and polyol chemicals products were recorded during the Period and the corresponding prior period.

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

Other income and gains

During the Period, other income and gains increased by approximately 461.7% to approximately HK$124.7 million (2023: HK$22.2 million). Such increase was mainly attributable to a one-off government grant of approximately HK$67.4 million rewarded to Changchun Dahe for the resumption of its production facilities and appreciation in fair value of financial assets at FVPL of HK$28.2 million during the Period.

Selling and distribution costs

During the Period, selling and distribution costs increased by approximately 96.0% to approximately HK$44.1 million (2023: HK$22.5 million), accounting for approximately 4.9% (2023: 4.8%) of the Group's revenue. Such increase was mainly attributable to the increase in sales volume of amino acids and other corn refined products during the Period.

Administrative expenses

During the Period, administrative expenses decreased by approximately 1.9% to approximately HK$127.7 million (2023: HK$130.2 million). Such decrease was a result of reduction in professional expenses during the Period.

Other expenses

During the Period, other expenses decreased by approximately 56.2% to approximately HK$52.4 million (2023: HK$119.5 million). Such decrease was mainly attributable to the decrease in expenses in relation to the suspension of the Group's production facilities of Changchun Dahe during the Period.

Finance costs

During the Period, finance costs of the Group decreased by approximately 63.6% to approximately HK$124.2 million (2023: HK$340.8 million), which was mainly attributable to the completion of the Debt Restructuring Arrangements in January 2024.

Income tax credit

Due to the recognition of temporary differences, the Group recorded deferred tax credit of approximately HK$30.5 million for the corresponding prior period and no deferred tax credit were recorded for the Period. Meanwhile, during the Period, all subsidiaries of the Group recorded tax losses or the estimated assessable profits were wholly absorbed by tax losses brought forward from previous years, no income tax expenses were recorded for the Period (2023: Nil).

Discontinued Operations

Upon the GSH Completion, pursuant to the HKFRS 5, the financial results for the prior period comparative results of GSH had been represented as discontinued operations of the Group throughout the condensed consolidated financial statements of the Group for the corresponding prior period. As such, the Group recorded a loss from discontinued operations of approximately HK$65.4 million for the six months ended 30 June 2023.

Net loss of the Company arising from continuing operations

Despite the Group's significant improvement in its gross profit during the Period, in the absence of a one-off gain from the derecognition of Harbin Decheng which was approximately HK$588.7 million recorded for the corresponding prior period, the net loss of the Company arising from continuing operations was approximately HK$157.7 million (2023: HK$29.8 million) with EBITDA arising from continuing operations (i.e., earnings before interest, taxation, depreciation and amortisation) of approximately HK$101.9 million (2023: HK$416.1 million) for the Period.

The Group will endeavour (1) to negotiate for the execution of the resumption of the Relevant Properties in order to utilise such proceeds to settle the outstanding consideration of RMB815.0 million for the purchase of the Repurchased Loans and enhance the financial resources of the Group; (2) to closely monitor market changes to streamline the production process and facilitate various refurbishment projects to lower the production cost and launch high value-added products in 2024; and (3) to introduce different industry players to facilitate the resumption of production of the Xinglongshan site to improve the operational efficiency and strengthen the working capital of the Group.

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

Capital structure

The capital structure of the Group consists of debts, which mainly include interest-bearing bank and other borrowings, Convertible Bonds and equity reserves attributable to owners of the Company which comprises issued ordinary Shares, CPS and various reserves. The Board shall review the Group's cost and risks of capital on a semi-annual basis with the aim to achieve the optimal capital structure for the Group.

Net borrowing position

The total interest-bearing bank and other borrowings of the Group as at 30 June 2024 decreased by approximately HK$1,778.4 million to approximately HK$1,820.0 million (31 December 2023: HK$3,598.4 million) as a result of the completion of the Debt Restructuring Arrangements on 4 January 2024 by settling of approximately HK$1,736.3 million Entire Transferred Loans, net repayment of the certain bank and other borrowings of approximately HK$2.1 million and exchange rate adjustment of approximately HK$40.0 million during the Period. On the other hand, the cash and bank balances and pledged bank deposits as at 30 June 2024, which were mainly denominated in Renminbi and Hong Kong dollar, decreased by approximately HK$22.1 million to approximately HK$66.3 million (31 December 2023: HK$88.4 million, denominated in Renminbi and Euro). As a result, the net borrowings decreased by approximately HK$1,756.3 million to HK$1,753.7 million (31 December 2023: HK$3,510.0 million) as at 30 June 2024.

Structure of interest-bearing bank and other borrowings

As at 30 June 2024, the Group's interest-bearing bank and other borrowings amounted to approximately HK$1,820.0 million (31 December 2023: HK$3,598.4 million), all (31 December 2023: all) of which were denominated in Renminbi. As at 30 June 2024, all (31 December 2023: all) the interest-bearing bank and other borrowings of the Group were wholly repayable within one year or on demand.

As at 30 June 2024, interest-bearing bank and other borrowings amounted to approximately HK$55.1 million (31 December 2023: HK$56.2 million) have been charged at fixed interest rates ranging from 6.5% to 7.8% per annum (31 December 2023: 6.5% to 7.8% per annum) for terms from one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were charged with reference to floating interest rate.

Convertible Bonds

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

As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with HK Bloom Investment Limited ("**HK Bloom**"), pursuant to which HK Bloom has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new Shares (the "**First Subscription Shares**") at the subscription price of HK$0.10 per First Subscription Share (the "**First Subscription**") and an aggregate of 1,228,607,685 new Shares (the "**Second Subscription Shares**") at the subscription price of HK$0.1080 per Second Subscription Share (the "**Second Subscription**"), respectively. As a result of the completion of the First Subscription and the Second Subscription, the conversion price of the outstanding Convertible Bonds has been adjusted, in accordance with the terms and conditions of the Convertible Bonds, to HK$0.21 per Share upon the completion of the Second Subscription on 29 April 2020 and the maximum number of Shares issuable by the Company upon full conversion of the Convertible Bonds is 5,172,759,833 Shares (the "**Conversion Price Adjustment**").

On 25 September 2020, the Company and Modern Agricultural entered into a supplemental agreement for the proposed extension (the "**First Extension**") of the Maturity Date by 32 months to 15 June 2023 (the "**First Extended Maturity Date**"). The resolutions to approve the First Extension were passed by way of poll at the extraordinary general meeting ("**EGM**") of the Company held on 30 November 2020 and the First Extension took effect from that date. For details of the First Extension, please refer to the announcement of the Company dated 25 September 2020 and the circular of the Company dated 6 November 2020.

In view of the approaching of the First Extended Maturity Date, on 2 June 2023, the Company and Modern Agricultural entered into a second supplemental agreement for the proposed further extension of the First Extended Maturity Date to 30 September 2025 (the "**Second Extension**"). The resolutions to approve the Second Extension were passed by way of poll at the EGM held on 3 August 2023 and the Second Extension took effect from that date. For details of the Second Extension, please refer to the announcement of the Company dated 2 June 2023 and the circular of the Company dated 15 July 2023.

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

As at 30 June 2024, the Convertible Bonds were divided into liability component and equity component which amounted to approximately HK$854.6 million and HK$104.7 million (31 December 2023: HK$801.3 million and HK$104.7 million) respectively and effective imputed interest of approximately HK$53.3 million (2023: HK$53.0 million) was charged during the Period.

CPS

In order for the Group to raise additional capital for facilitating the Debt Restructuring Arrangements, on 30 November 2023, Jilin Yuanheng and Jilin Liheng, as CPS Subscribers, and the Company, as issuer, entered into the CPS Subscription Agreement pursuant to which (i) Jilin Yuanheng conditionally agreed to subscribe for such number of CPS (the "**Yuanheng CPS**") in the subscription monies of RMB250,000,000; and (ii) Jilin Liheng conditionally agreed to subscribe for such number of CPS (the "**Liheng CPS**", together with the Yuanheng CPS, the "**Subscription CPS**") in the subscription monies of RMB1,330,000,000, at a subscription price of HK$0.10 per Subscription CPS, representing a premium of approximately 78.6% over the closing price per Share as quoted on the Stock Exchange of HK$0.056 on the day of the CPS Subscription Agreement.

Each Subscription CPS shall confer on its holder the right to receive a preferred distribution from the date of the issue of the Subscription CPS at a rate of not exceeding 5% per annum on the aggregate issue price of the Subscription CPS, payable annually in arrears. Each preferred distribution is non-cumulative. The Board may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the Board elects to defer or not to pay a preferred distribution, the Company shall not pay any dividends, distributions or make any other payment on any Shares, unless at the same time it pays to the holders of Subscription CPS any deferred or unpaid preferred distribution which was scheduled to be paid on a day falling in the same financial year in respect of which payment of such dividends, distributions or other payments is made.

The Subscription CPS shall be convertible at the option of the holder thereof at any time after 12 months from the date of issue of the Subscription CPS and without the payment of any additional consideration therefor, into such number of fully-paid Shares as determined in accordance with the rate for conversion of the Subscription CPS into Shares on a one for one basis provided that if the issue of Shares following the exercise by a holder of the Subscription CPS of the conversion rights relating to any of the Subscription CPS held by such holder would result in the Company not meeting the requirement under the Listing Rules applicable to the Company that not less than a specified percentage of the shares which are listed on the Stock Exchange shall be held by the public for the purpose of the Listing Rules (the "**Public Float Requirement**") immediately after the conversion, then the number of Shares to be issued pursuant to such conversion shall be restricted to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement.

The gross proceeds of the CPS Subscription amounted to approximately HK$1,726,775,056.97 (equivalent to RMB1,580,000,000.00). The net proceeds from the CPS Subscription, after the deduction of the professional and other related expenses, were approximately HK$1,716,775,057, representing a net issue price of approximately HK$0.099 per Subscription CPS. All conditions precedent under the CPS Subscription Agreement had been fulfilled and the CPS Subscription Completion took place on 4 January 2024.

The whole amount of the net proceeds of the CPS Subscription had been fully utilised for the settlement of the Entire Transferred Loans in January 2024.

Following the CPS Subscription Completion, a total of 14,535,514,629 Liheng CPS and 2,732,235,940 Yuanheng CPS were issued to Jilin Liheng and Jilin Yuanheng, which may be converted into Shares on a one for one basis, representing approximately 55.53% and 10.44% of the issued share capital of the Company as enlarged only by the allotment and issue of conversion shares (the "**CPS Conversion Shares**") immediately after the full conversion of the Subscription CPS, respectively. The aggregate nominal value of the Subscription CPS is HK$1,726,775,056.9 based on the nominal value of HK$0.10 per Share.

For details of the CPS Subscription, please refer to the announcements of the Company dated 30 November 2023 and 4 January 2024 and the circular of the Company dated 14 December 2023, respectively.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group grants credit terms to established customers ranging from 30 to 90 days. During the Period, the trade receivables turnover days decreased to approximately 16 days (31 December 2023: 19 days) as the Group maintained a stringent credit control during the Period.

Trade payables turnover days increased to approximately 215 days (31 December 2023: 144 days) during the Period. Such increase was mainly attributable to increase the raw materials volume for satisfying the increment of sales during the Period.

In addition, as the Group maximised the operation capacity and maintained sufficient stocks in order to meet the sale orders during the Period, the inventory turnover days increased to approximately 66 days (31 December 2023: 20 days).

As at 30 June 2024, the current ratio and the quick ratio of the Group remain approximately the same at 0.1 (31 December 2023: 0.1) and 0.1 (31 December 2023: 0.1), respectively. As the completion of the Debt Restructuring Arrangements took place 4 January 2024, the net liabilities of the Group decreased to approximately HK$2,697.3 million (31 December 2023: HK$4,036.9 million) as at 30 June 2024. Gearing ratio in terms of debts (i.e. total interest-bearing bank, other borrowings, Convertible Bonds) to total assets (i.e. sum of current assets and non-current assets) decreased to approximately 55.0% (31 December 2023: 84.5%).

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales, which were denominated in US dollars, accounted for approximately 34.2% (2023: 10.6%) of the Group's revenue during the Period. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations in the short run. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD

Energy Management Contract

Reference is made to the announcement of the Company dated 27 May 2024. On 27 May 2024, Changchun Dahe, a wholly-owned subsidiary of the Company, and 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Co., Ltd.*) ("**Modern Agricultural Fund**") entered into an energy management contract (the "**Energy Management Contract**") in relation to the implementation of Changchun Dahe's refurbishment project (the "**Refurbishment Project**") through energy contract management. Pursuant to the Energy Management Contract, Modern Agricultural Fund or a special purpose vehicle to be established and wholly-owned by Modern Agricultural Fund (the "**Modern Agricultural SPV**") will invest, construct, maintain and manage the boiler facilities (the "**Boiler Facilities**") for Changchun Dahe to implement the refurbishment project in its production site. Energy Management Contract will expire after 8 years (2 years for the construction phase of the Boiler Facilities and 6 years of energy efficiency sharing period (the "**Energy Efficiency Sharing Period**")) from the date of the Energy Management Contract. During the 6 years Energy Efficiency Sharing Period, each of Changchun Dahe and Modern Agricultural Fund shall each be entitled to the net energy saving revenue, which is estimated to be approximately RMB295,440,000 (excluding discount expenses) (the "**Estimated Net Energy Saving Revenue**"), at the ratio of 20% and 80%, respectively (the "**Sharing Ratio**"). The net energy saving revenue shall be determined by tonnes of coal expected to be saved times the expect price of coal per tonnes. Modern Agricultural Fund shall therefore be entitled to a net energy saving revenue of approximately RMB236,350,000 (the "**Sharing Revenue**") pursuant to the Sharing Ratio. If the actual net energy saving revenue fall short of the Estimated Net Energy Saving Revenue, causing Modern Agricultural Fund's ultimate entitlement fall short of agreed Sharing Revenue due to the fault of Changchun Dahe, Modern Agricultural Fund has the right to seek for recovery of the shortfall amount. The title of the Boiler Facilities shall remain with Modern Agricultural Fund during the construction phase of the Boiler Facilities and during the Energy Efficiency Sharing Period. Upon expiry of the Energy Efficiency Sharing Period and full settlement of the Sharing Revenue, the title to the Boiler Facilities shall be vested in Changchun Dahe.

As at the date of the announcement of the Company date 27 May 2024, approximately 35.2% of the issued share capital of the Company is held by Modern Agricultural, which is indirectly wholly-owned by 吉林省現代農業產業投資基金(有限合夥) (Jilin Province Modern Agricultural Industry Investment Fund (LLP)*) ("**PRC LLP**"). Modern Agricultural Fund is the sole general partner of PRC LLP, and 60.0% of the investment capital of PRC LLP is owned by Nongfa. Modern Agricultural Fund or the Modern Agricultural SPV to be responsible for the Energy Management Contract, is, and shall be wholly-owned by Nongfa. As such, the transactions contemplated under the Energy Management Contract constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement and the Company's independent shareholders' approval requirement.

After further review and examination made by the Changchun Municipal People's Government (the "**Local Government**") in the PRC, the Refurbishment Project shall be downsized to the comply with the applicable total coal consumption indicator (the "**Coal Consumption Indicator**"). In light of the time required for the negotiation of the re-sized Refurbishment Project and the terms and conditions of any new energy management contract(s) to be entered into, on 19 August 2024, Changchun Dahe and Modern Agricultural Fund (each a "**Party**", and collectively the "**Parties**") entered into a termination agreement (the "**Termination Agreement**") to irrevocably terminate the initial Energy Management Contract with effect from the date of the Termination Agreement after due and careful consideration.

The management of the Group will endeavour to re-design the proposal of the Refurbishment Project and continue to negotiate with different financial institutions and the Local Government in order to complete the resized Refurbishment Project in compliance with the requirements of the relevant Coal Consumption Indicator and satisfy the funding need.

For details of the Energy Management Contract, its related funding arrangement and the Termination Agreement, please refer to the announcements of the Company dated 27 May 2024 and 19 August 2024, respectively.

IMPORTANT EVENT SUBSEQUENT TO THE PERIOD UNDER REVIEW

Save for the Termination Agreement, there is no other important event affecting the Group since the end of the Period up to the date of this announcement.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market position, diversify its product range and enhance its capability in developing high value-added products and new applications of its products through in-house research. Internally, the Group will endeavour to materialise the execution of the resumption of the remaining part of the Relevant Properties in order to settle the outstanding consideration of RMB815.0 million for the Repurchased Loans, being certain loans owed by Dihao Foodstuff, Dacheng Bio-Tech and Changchun Dahe and enhance the financial resources of the Group with the remaining proceeds (if any) from the resumption of the Relevant Properties.

In the short run, the Group will continue its collaboration with distributors, actively participate in animal feed industry conferences and campaigns to maintain close business relations with prominent animal feed producers and maintain the stable production of its lysine products to strengthen its position in the industry. It is expected that the Group's lysine production would continue to generate stable and healthy cash inflow to the Group in 2024. The Group is expected to commence the refurbishment of Boilers Facilities in Changchun Dahe in the second half of 2024 to further lower the production cost and launch more various new amino acid products in coming years.

In the long run, the Group will strive to introduce industry players to facilitate the resumption of production of the Xinglongshan site to improve the operational efficiency and strengthen the working capital of the Group. The Board will optimise its risk/return decisions with respect to capital expenditure and will take a prudent approach in relation to capacity expansion.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2024, the Group had approximately 2,600 (30 June 2023: 3,100) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasingly turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain 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. During the Period, employee benefit expenses (including Directors' remuneration) was approximately HK$69.6 million (30 June 2023: approximately HK$65.2 million).

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend in respect of the Period (six months ended 30 June 2023: Nil).

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

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

COMPLIANCE WITH THE CG CODE AND THE MODEL CODE

The Board regularly reviews the Group's corporate governance guidelines and developments. To the best knowledge and belief of the Board, the Board considers that the Company has complied with all code provisions in part 2 of the CG Code throughout the Period.

The Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**").

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

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee currently comprises all independent non-executive Directors, namely, Mr. Tan Chao (chairman of the Audit Committee), Ms. Jiang Fangfang and Ms. Xie Liangqiu.

The Audit Committee has reviewed the interim results of the Group for the Period and this announcement and has discussed with the management of the Company for the accounting principles and policies adopted by the Group, with no disagreement.

FULL DETAILS OF FINANCIAL INFORMATION

The interim report of the Company will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.globalbiochem.com) under "Investor Relations" in due course.

The interim report of the Company for the Period will be despatched to the shareholders and will be available for viewing on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
Global Bio-chem Technology Group Company Limited
Wang Cheng
Chairman

Hong Kong, 20 August 2024

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Wang Cheng and Mr. Wang Guicheng; one non-executive Director, namely, Mr. Li Yuewen; and three independent non-executive Directors, namely, Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu.