GLOBAL Bio-Chem Technology Group Company Limited

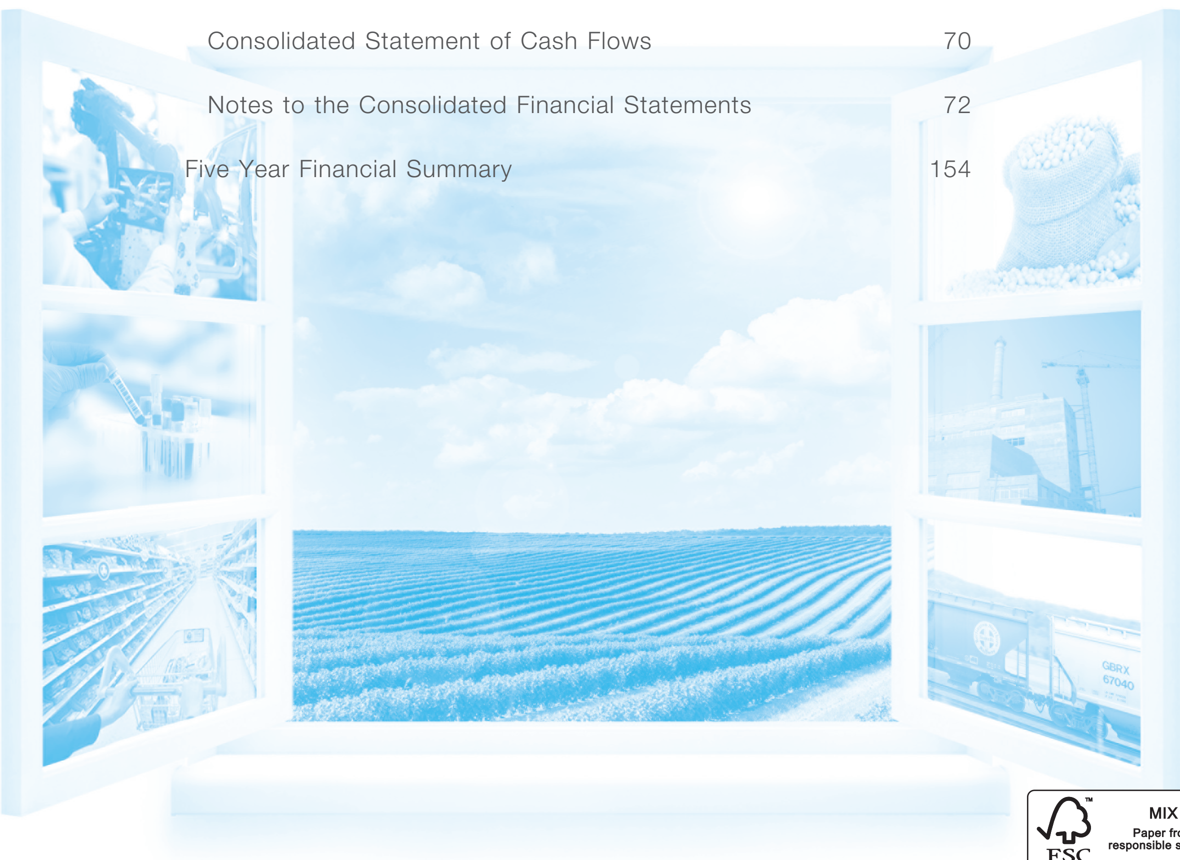
大成生化科技集團有限公司*

Stock Code: 00809

2020
Annual Report

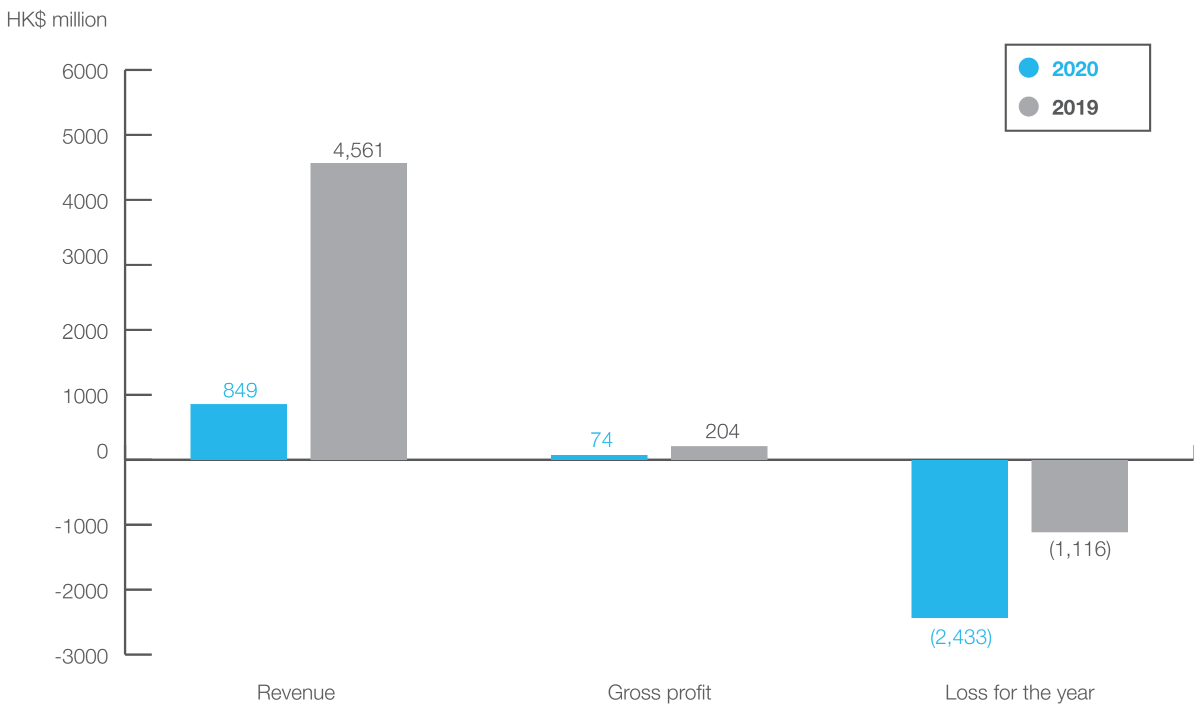
* For identification purpose only

Contents



Financial Highlights

FINANCIAL HIGHLIGHTS	2020	2019	Change %
Revenue (HK$'Mn)	**849**	4,561	(81.4)
Gross profit (HK$'Mn)	**74**	204	(63.7)
Loss for the year (HK$'Mn)	**(2,433)**	(1,116)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(2,430)**	(1,068)	N/A
Basic loss per share (HK cents)	**(28.6)**	(15.5)	N/A
Proposed final dividend per share (HK cents)	**–**	–	N/A



Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Yuan Weisen *(Resigned on 9 February 2021)*
Mr. Zhang Zihua *(Acting Chairman)*
Mr. Liu Shuhang

Non-executive Directors
Mr. Gao Dongsheng *(Appointed on 30 June 2020)*
Ms. Liang Wanpeng *(Resigned on 30 June 2020)*

Independent non-executive Directors
Ms. Dong Hongxia *(Appointed on 30 June 2020)*
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam
Mr. Zhao Jin *(Resigned on 30 June 2020)*

COMPANY SECRETARY

Mr. Chan Sing Fai, ACG, ACS, 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

Suites 2202-04, 22nd Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
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

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

The Agriculture Bank of China
6 Beian Road
Nanguan District
Changchun, Jilin Province
The People's Republic of China

China Construction Bank
No. 810 Xian Road
Changchun, Jilin Province
The People's Republic of China

The Export-Import Bank of China Jilin Province Branch
Floor 19-21, Honghui International Square
No. 3299 Renmin Road, Chaoyang District
Changchun, Jilin Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
Cricket Square
PO Box 1093, Boundary Hall
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

In 2020, the COVID-19 pandemic continued to spread around the world, causing huge impact on the global business and international trading environment. In the second quarter of 2020, the pandemic in China had been gradually under control. However, logistics and supply chain as well as consumer demand were, to a certain extent, affected by the pandemic prevention measures around the world. In view of the stagnant market condition and the tight financial situation of the Group, the operations of most of the Group's production facilities have been suspended during the year under review to minimise cash outflow from operations. As the Group mainly sold its inventory during the year under review, its revenue decreased by 80% year-on-year.

The performance of the Group in the past few years has been far from satisfactory. Apart from the adverse economic and business environments, the fundamental problem is rooted in its heavy financial pressure. In order to reignite vitality in the Group's business and get operations back on track, the management team is well aware that the improvement of the Group's financial situation is of its top priority. During the year under review, the management team continued to dedicate its effort to debt restructuring, seeking to further improve the financial situation to break the vicious cycle of cash flow shortage. At the end of March 2021, upon the implementation of the first phase of debt restructuring, the financial guarantee obligations that had been plaguing the Group for years have been discharged.

BUSINESS REVIEW

The net loss for the year under review had widened by more than 100% when compared with that of the previous year. This was mainly attributable to the recognition of a one-off loss in relation to the extension of the maturity date of the convertible bonds issued by the Company to Modern Agricultural Industry Investment Limited from October 2020 to 15 June 2023 (the "**Extension**") as approved by the independent shareholders. A one-off loss was recognised as a result of the Extension. As the relevant loss was a non-cash item, it did not affect the cash flow of the Group during the Year.

With respect of resolving debt issues, the Group made encouraging progress during the year under review. Following the transfer of all the rights and benefits of the loans and guarantee liability of the Group ("**BOC Transferred Loans**") from Jilin Branch of Bank of China, one of the lending banks of the Group, to 中國信達資產管理有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**China Cinda**"), the Group was notified in January 2021 that China Cinda had transferred the aforesaid BOC Transferred Loans to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"), a company controlled by the Changchun Municipal Government. Such transfer represented a significant step forward in the Group's debt restructuring progress. Subsequently, two other lending banks also announced at the end of last year that they have each reached transfer agreements with China Cinda to transfer all rights and benefits of the loans owed by the Group.

Moreover, the Group also continued to seek to broaden its funding sources to increase cash flow. The Group entered into two share subscription agreements with an investor in 2019. The second share subscription was completed in April 2020, raising net proceeds of approximately HK$132.0 million for the Group and effectively increasing the Group's general working capital.

After the properties owned by the Group in Luyuan District have been listed among the projects for redevelopment under the PRC's Slum Redevelopment Policy, the local government has completed the resumption of certain properties owned by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), a subsidiary of Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**") during the year under review. The Group shall receive a total compensation of RMB443.0 million as a result of the aforesaid resumption of properties, which has been received in full at the end of March 2021.

As the COVID-19 pandemic continued, concerns over food security have been increasing in China. In addition, the typhoons that hit the northeast region in September 2020 had caused the domestic corn production volume to drop by 10%. As a result, farmers, traders and even some corn processing plants had been hoarding corn in speculation to sell at high prices, which had led to the upsurges in domestic corn prices. The procurement cost of corn had remained high throughout the year under review, severely lowering the profits margins of corn refined products. On the consumer side, affected by the pandemic, demand was weak while market competition intensified, exerting pressure on the sales of upstream products. To reduce cash outflow, the Group has suspended all of the production of upstream products since the second quarter of 2020.

Since 2018, the African Swine Fever which has once caused a 40% reduction in the pig herd in China has continued to pose serious threats to the swine husbandry industry in China. Nevertheless, with the COVID-19 pandemic being gradually brought under control since the second quarter and the recovery of the livestock industry since the end of the second quarter, the number of pigs has also rebounded. The overall lysine market slowly recovered during the second half of 2020 with prices increased from RMB6,700 to RMB7,500 per MT in 2019 to RMB6,600 to RMB10,500 per MT in 2020. However, due to the high corn cost, many domestic lysine manufacturers were cautious. During the year under review, the annual utilisation rate of lysine production capacity in China was about 60%. On top of this, taking into account of the Group's tight cash flow, the Group continued to suspend the operation of its lysine business during the year under review, resulting in a further decrease in the sales of the amino acid business.

OUTLOOK

With the state's implementation of supply side reform alongside with the impact of the pandemic and adverse weather conditions, the sale-to-production ratio of corn in China in 2020 further rose to above 73%. Entering into 2021, as hog production capacity in China is gradually recovering, a number of newly-constructed large-scale pig farms will start operation this year. This will further increase the market demand for corn. Although corn production volume is expected to rise in 2021, corn price will still hover at high levels in the first half of 2021.

Demand for lysine is expected to increase steadily amid recovery of the swine husbandry industry in China. However, as new lysine production lines were put into operation last year and rising market demand might lead to increased output from manufacturers with low capacity utilisation rate, it is still uncertain about the supply and demand situation in the lysine market.

The Group will closely monitor market development and prudently assess its own financial situation, in order to explore the feasibility of partial resumption of operation of its upstream corn processing and amino acids production facilities after the third quarter of this year.

Currently, it is the Group's top priority to find an ultimate solution to the problem of its heavy indebtedness in order for the Group to obtain new funding to support its normal business operation. In March 2021, the Group and the GSH Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") each entered into a repurchase agreement with Changchun Rudder for the repurchase of the transferred loans originally owed to Bank of China. The consideration of the respective portions of the BOC Transferred Loans of the Group and the GSH Group amounted to RMB701,490,000 and RMB113,510,000 respectively, which will be financed by the proceeds from the compensation for the resumption of properties in Luyuan District. Upon the completion of the repurchase agreement entered into between Dajincang and Changchun Rudder at the end of March 2021, all the obligations of the related subsidiaries of the Group and the GSH Group acting as guarantors under the financial guarantee contracts have been discharged. This signifies a significant milestone of the Group towards improving its financial position. The Group will strive to facilitate arrangements similar to the aforesaid methods to resolve its relevant debts with other lending banks.

The Group will also continue to negotiate with the local government to help expedite the progress of resumption of properties in Luyuan District. With the expectation that further compensation will be received as the resumption of properties in the Luyuan District by the government progresses in 2021, the compensation will help the Group accelerate the progress of the debt restructuring and provide the financial resources required for relocation of production facilities to Xinglongshan as well as the required cash flow for business operation.

I would like to express my heartfelt thanks to our employees, who have remained committed to their work during the tough times in the past. I would also like to thank our shareholders, business partners, lending banks for their trust and support to the Company and the management. With the implementation of debt restructuring and resumption of properties, the Group's business will gradually be back on track. I sincerely hope that the gradual resumption of the Group's operations will help to improve the Group's performance and generate returns for our shareholders.

Acting Chairman
Zhang Zihua

31 March 2021

Management Discussion and Analysis

Global Bio-chem Technology Group Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") are principally engaged in the manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals. The upstream corn refinery serves as a feedstock which breaks down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products.

BUSINESS REVIEW

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

During the year ended 31 December 2020 (the "**Year**"), the operating environment of the Group remained challenging. The coronavirus disease ("**COVID-19**") pandemic continued to put pressure on the global economic environment. Suspension of business operations, disrupted supply chains and stringent lockdown measures have led to stagnant demand and significant economic slowdown. As a result, the gross domestic product of the People's Republic of China (the "**PRC**" or "**China**") shrank by 6.8% for the first quarter of the Year, which was the first decline since 1992. Starting from the second quarter of the Year, China's economy slowly recovered and recorded a growth rate of 2.3% for the full year. Nevertheless, the growth rate was far below the initial estimates before the outbreak of COVID-19.

In light of the challenging operating environment, the Group has suspended its production operations in the Harbin, Dehui, Xinglongshan and Jinzhou sites to reduce operating cash outflow and secure sufficient financial resources until the market conditions improve. For details of the abovementioned suspensions, please refer to the Company's announcements dated 24 September 2019, 16 December 2019, 10 February 2020 and 29 May 2020 (collectively, the "**Suspension of Operation Announcements**").

With respect to corn supply, global corn production for the year 2020/21 is estimated at 1,133.9 million metric tonnes ("**MT**") (2019/20: 1,116.6 million MT), according to the estimates from the United States Department of Agriculture in January 2021. The high demand from China together with shrinking supply from major exporters such as Argentina have driven up the international corn price. International corn price surged from 608 US cents per bushel (equivalent to RMB1,670 per MT) at the end of 2019 to 718 US cents per bushel (equivalent to RMB1,844 per MT) by the end of 2020. In the PRC, corn harvest in 2020/21 is estimated to produce approximately 264.7 million MT (2019/20: approximately 260.8 million MT) of corn, with consumption volume estimated at 288.2 million MT for 2021 (2020: 278.3 million MT). A shortage of corn of approximately 20 million MT is expected in the PRC in 2021. In addition, the PRC grain traders have been piling up their grain reserves due to the concerns with regard to food security in light of the continued impact of the outbreak of COVID-19 pandemic on the global economy. All these factors have contributed to the surge in domestic corn price during the Year. As a result, corn price in the PRC rose to RMB2,529 per MT (end of 2019: RMB1,850 per MT) by the end of 2020. Apart from the rising corn cost, the economic slowdown and shrunken demand for the Group's products have made it not commercially viable to continue with the production operation for the upstream corn refinery. To mitigate the situation, apart from the suspension of the Group's upstream operations in the Harbin, Dehui and Xinglongshan sites, the Group has also suspended the production operation of 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**") since the second quarter of the Year. Consequently, the revenue for the Group's upstream corn-refinery business dropped significantly during the Year. The Group will continue to monitor market conditions 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.

During the Year, the impact of the outbreak of the African Swine Fever (the "**ASF**") continued to affect the husbandry and feed industries in China. The pig herd in China shrank by at least 40% at the beginning of the Year as compared to that prior to the outbreak of the ASF in 2018. During the first quarter of the Year, the slack season after the consumption peak during the Chinese New Year together with the lockdown in most of the cities in the PRC have kept the demand for feed products including lysine low. The feed market remained stagnant during the first half of the Year. As the Group has suspended its amino acid production operation since August 2019, only insignificant amount of sales was recorded during the Year. Nevertheless, the swine husbandry industry has started to recover at pace faster than expected starting from the end of the second quarter of the Year. Driven by tightened corn supply and herd recovery, the demand for lysine products started to recover slowly in the second half of the Year. As a result, domestic lysine price has improved, ranging from RMB6,600 to RMB10,500 per MT during the Year. However, the increased corn cost has also posed pressure on the profit margin of the amino acid products. Moreover, the tight operating cash flow of the Group. All these factors have contributed to the continued suspension of its amino acids production operation during the Year. Consequently, the Group's lysine segment recorded a significant decrease in revenue for the Year. However, with the huge demand of pork in the PRC, pork producers were keen to increase pork production, it is expected that the swine husbandry industry will continue to recover in 2021. Construction of large-scale pig farms with better management than traditional pig farms were underway with the expectation to combat the possible return of the ASF. It is expected that the commencement of operation of these new pig farms will create increased demand for feed products including lysine. The Group will continue to observe market conditions and optimise operation, utilise its research and development capabilities to improve operational efficiency and develop other amino acid products complementary to its current product mix to better serve its customers.

As for the sugar market, global sugar production volume for 2019/20 was about 166.2 million MT. Although the COVID-19 pandemic had an impact on sugar consumption, the industry still saw a demand growth for sugar in 2020/21. In addition, the decrease in sugar production in Thailand, the second largest sugar exporter in the world, and the speculations about a possible sugar shortage and tight supply of shipment containers as a result of lockdowns in major ports have caused sugar price to soar since the third quarter of the Year. As a result, international sugar price increased to 15.49 US cents per pound (equivalent to RMB2,232 per MT) (end of 2019: 13.42 US cents per pound, equivalent to RMB2,070 per MT) by the end of 2020. In the PRC, domestic sugar production remained at similar level at 10.7 million MT in 2019/20 harvest, while consumption stayed at around 15.4 million MT. However, the expiry of the extra tariff on out-of-quota sugar imports in the PRC in May 2020 has led to the increase in sugar imports into China and dragged down the domestic sugar price to RMB5,356 per MT (end of 2019: RMB5,900 per MT) by the end of 2020. In addition, as a number of users in Huadong area has opted for vertical integration and expanded upstream to secure their feedstocks, the sweeteners market has shrunk and competition has further intensified. As such, the Group has suspended the operation of the downstream sweeteners production facilities in the Jinzhou and Xinglongshan sites and consolidated its resources into the Shanghai production site which has higher operational efficiency until market recovers.

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

The operating environment of the Group in 2021 will continue to be challenging as corn price is expected to remain at high level in 2021. On top of this, the COVID-19 pandemic will continue to impact the global economy. In the short run, the Group will continue to monitor closely the development of the COVID-19 pandemic, the market conditions as well as the financial conditions of the Group and ensure the production operation of the Group's subsidiaries to resume as soon as possible to the extent practicable. In the long run, the Group will continue to strengthen its market position by utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, further improve cost effectiveness and product mix through continuous research and development efforts; and at the same time, optimise utilisation rate to achieve operational efficiency in response to market changes. With respect of the Group's financial position, leveraging on the synergies as a result of the introduction and participation of the resourceful shareholder with state-owned enterprise background, the Group will endeavour to implement the debt restructuring plan with the aim to achieve the significant improvement of the financial position of the Group.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2019 was subject to the disclaimer of opinion of the external auditor (the "**Auditor**") of the Company as detailed in the annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"). Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**"), the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken as follows, which have been considered, recommended and agreed by the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position:

1. Financial Guarantee Contracts

As detailed in the 2019 Annual Report and the 2020 Interim Report, certain subsidiaries of the Group and the GSH Group (collectively, the "**Guarantor Subsidiaries**") provided the financial guarantees for the indebtedness of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest (the "**Dajincang Indebtedness**") and the financial guarantee contracts (the "**Financial Guarantee Contracts**") were not recognised in the Group's consolidated financial statements for the year ended 31 December 2019 because the Group was unable to obtain reliable financial information of Dajincang for the professional valuer to conduct an accurate valuation. During the Year, the board (the "**Board**") of directors (the "**Directors**") and the board of Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**") continued to actively explore different options to resolve the Financial Guarantee Contracts.

The Group recognised the finance costs amounted to approximately HK$153.5 million (2019: HK$110.8 million) pursuant to the Financial Guarantee Contracts which was included in other expenses for the Year.

As disclosed in the 2020 Interim Report, 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) ("**BOC Jilin Branch**") has transferred all the rights and benefits of, among others, the loans of the Group (excluding the GSH Group) in the amount of approximately RMB1.3 billion with the outstanding interest (the "**GBT Indebtedness**"), the loans of the GSH Group in the amount of approximately RMB198.6 million with the outstanding interest (the "**GSH Indebtedness**") and the Dajincang Indebtedness guaranteed by the Guarantor Subsidiaries (collectively, the "**BOC Transferred Loans**") 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.*) ("**China Cinda**") in February 2020. As announced in a joint announcement of the Company and GSH on 18 January 2021, China Cinda has transferred the BOC Transferred Loans to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"), an enterprise controlled by 長春市人民政府 (The Changchun Municipal Government*) (the "**Local Government**"). After the completion of the transfer of the BOC Transferred Loans to Changchun Rudder, the management of the Group continued to discuss the next step of the debt restructuring plan with Changchun Rudder and the Local Government with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group. Under the applicable law in the PRC, the debtors are required to purchase the loans owed by themselves in order to discharge the debts and liabilities owed to them. On 26 March 2021, each of the Group, the GSH Group and Dajincang (collectively, the "**BOC Borrowers**") entered into a repurchase agreement (collectively, the "**Repurchase Agreements**" and each, a "**Repurchase Agreement**") with Changchun Rudder, pursuant to which Changchun Rudder had agreed to sell to each of the BOC Borrowers, and each of the BOC Borrowers had agreed to purchase, all of the rights and benefits of their respective portions of the BOC Transferred Loans. The Group and the GSH Group are not jointly or severally responsible for each other's obligations under the respective Repurchase Agreements, nor Dajincang's obligations under the Repurchase Agreement entered into between Changchun Rudder and Dajincang. The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreement entered into between Changchun Rudder and Dajincang, all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GSH dated 26 March 2021 and 31 March 2021.

The Auditor has confirmed that the disclaimer opinion in relation to the Financial Guarantee Contracts on the Group's consolidated financial statements for the year ending 31 December 2021 will be removed upon the completion of the Repurchase Agreement entered into between Changchun Rudder and Dajincang. However, since the Auditor may be unable to determine whether any adjustments in respect of the Financial Guarantee Contracts as at 31 December 2020 are necessary, which may have a significant impact on the financial position of the Group as at 31 December 2020, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ending 31 December 2021.

2. Material uncertainty related to going concern

As detailed in the 2019 Annual Report, the Auditor has raised fundamental uncertainties relating to the ability of the Group to continue as going concern. In addition to the remedial actions disclosed in the 2019 Annual Report, the management of the Company has taken and will take steps as outlined in note 2.2 to the consolidated financial statements to improve the financial position of the Group.

Dependent on the successful and favourable outcomes of the steps being taken as described in note 2.2 to the consolidated financial statements, the Board, including the Audit Committee, is of the view that the Group will have sufficient working capital for at least 12 months from the date of this report. Please refer to note 2.2 to the consolidated financial statements for details.

FINANCIAL PERFORMANCE

During the Year, due to the continued impact of the outbreak of COVID-19, the slowdown of economic growth in the PRC, and the tight operating cash flow of the Group as a result of the prolonged challenging operating environment, most of the Group's production facilities have been suspended. The suspension of operations has led to a significant drop in sales volume. The consolidated revenue of the Group for the Year dropped significantly by 81.4% to approximately HK$848.9 million (2019: HK$4,561.4 million). Gross profit for the Year decreased by approximately 63.6% to approximately HK$74.1 million (2019: HK$203.5 million).

However, as the portion of expenses in relation to the suspension of certain production facilities amounted to approximately HK$498.5 million (2019: HK$342.7 million) has been allocated to other expenses; and the Group has directed its resources to the Shanghai site which has higher operational efficiency during the Year, the gross profit margin of the Group improved by 4.2 percentage points to 8.7% (2019: 4.5%).

The increase in finance cost as a result of the default in repayment of certain loans and the increase in interest of trade payables continued to weigh on the Group's performance during the Year. In addition, a one-off loss amounted to approximately HK$728.2 million in relation to the modification of the convertible bonds (the "**Convertible Bonds**") issued by the Company to Modern Agricultural Industry Investment Limited ("**Modern Agricultural**" or the "**Bondholder**") in October 2015 with the maturity date extended from 15 October 2020 to 15 June 2023 has been recognised during the Year. As a result, the Group recorded a net loss of approximately HK$2,433.3 million (2019: HK$1,116.3 million) and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$1,229.2 million (2019: EBITDA (i.e. earning before interest, taxation, depreciation and amortisation): HK$32.4 million) during the Year. To improve the financial performance and financial position of the Group, the management will continue to focus its efforts in 1) speeding up the process of resumption of the remaining part of the land and buildings owned by the Group which located in Luyuan District, Changchun, the PRC (the "**Relevant Properties**") in order to increase the operating cash flow; 2) actively negotiating with banks/creditors to push forward the debt restructuring plan to lower the debt level of the Group; 3) closely monitoring market changes to streamline the production processes and identify the opportunity for partial resumption of production operations to improve the Group's financial conditions and operational efficiency; and 4) introducing potential investors to further strengthen the working capital and financial position of the Group.

Upstream products

(Revenue: HK$248.6 million (2019: HK$2,626.3 million))
(Gross profit: HK$18.3 million (2019: HK$123.2 million))

During the Year, the suspension of the Group's upstream operations has led to a significant decline in sales volume. The sales volume of corn starch and other corn refined products decreased to approximately 75,000 MT (2019: 694,000 MT) and 29,000 MT (2019: 431,000 MT), respectively. As a result, the revenue of the Group's upstream business dropped by approximately 90.5% to approximately HK$248.6 million (2019: HK$2,626.3 million). Due to stagnant demands from the downstream markets, the average selling prices of corn starch dropped by 2.9% during the Year. As a result, the gross profit of corn starch segment dropped to approximately HK$16.9 million (2019: HK$237.5 million), with gross profit margin of approximately 8.9% (2019: 13.2%). On the other hand, due to the recovery of swine husbandry industry in the second half of the Year, the demand for feed-related corn refined products, such as corn gluten and fibre improved. The average selling price of other corn refined products increased by 6.3% during the Year. As a result, other corn refined product segment recorded gross profit of HK$1.4 million (2019: gross loss: HK$114.3 million), with gross profit margin of approximately 2.5% (2019: gross loss margin: 13.9%).

Internal consumption of corn starch and other corn refined products decreased to approximately 8,000 MT (2019: 159,000 MT) during the Year.

Amino acids

(Revenue: HK$36.6 million (2019: HK$991.6 million))
(Gross profit: HK$1.4 million (2019: Gross loss: HK$53.2 million))

The amino acids segment consists of lysine, protein lysine and threonine products. Due to the continued impact of the outbreak of the ASF and the COVID-19 pandemic, the Group has suspended the production operation of amino acid products and continued to sell its inventory to minimise cash outflow during the Year. As most of the inventory has been exhausted prior to the Year, the amino acids segment recorded insignificant sales volume during the Year. The revenue of the amino acids segment dropped drastically to approximately HK$36.6 million (2019: HK$991.6 million) as sales volume dropped to 7,000 MT (2019: 186,000 MT). The amino acids segment recorded an insignificant gross profit of approximately HK$1.4 million (2019: gross loss: HK$53.2 million) and a gross profit margin of 3.8% (2019: gross loss margin: 5.4%) during the Year.

The Group will continue to closely monitor the development of the ASF and COVID-19 outbreaks, the market conditions as well as the financial conditions of the Group to resume the production operation of amino acids segment as soon as possible to the extent practicable. The Group's research and development team will strive to dedicate its effort to lower production cost, at the same time, proactively look for opportunities to develop other amino acid products complementary to the current product mix of the Group to cater to different types of animals to increase the Group's flexibility and ability to respond to market changes.

Corn sweeteners

(Revenue: HK$558.1 million (2019: HK$918.4 million))
(Gross profit: HK$52.0 million (2019: HK$113.7 million))

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

During the Year, the sales volume of corn sweeteners dropped by 41.8% to approximately 174,000 MT (2019: 299,000 MT) due to suspensions of sweetener facilities in the Xinglongshan site and the Jinzhou site. As a result, revenue declined by 39.2% to approximately HK$558.1 million (2019: HK$918.4 million) and the gross profit decreased by 54.3% to HK$52.0 million (2019: HK$113.7 million) during the Year. As a number of users in Huadong area opted for vertical integration and extended upstream to secure their feedstock, the sweetener market shrank and competition become keen. In addition, the expiry of the extra tariff on out-of-quota sugar imports also attracted more imported sugar into China during the Year. As a result, the average selling price of sweetener products dropped. To mitigate the situation, the Group has suspended most of the sweeteners production facilities in low profit margin region in Northeast China and consolidated its resources in the Shanghai production site. Consequently, the gross profit margin of corn sweeteners of approximately decreased by 3.1 percentage points to approximately 9.3% (2019: 12.4%).

Polyol chemicals

(Revenue: HK$5.6 million (2019: HK$25.1 million))
(Gross profit: HK$2.4 million (2019: HK$19.8 million))

The polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. The Group had suspended most of its polyol chemicals production since March 2014. During the Year, the Group continued to utilise its polyol chemicals inventories to produce and sell a small amount of anti-freeze products. During the Year, the revenue of the polyol chemicals segment declined by 77.7% to approximately HK$5.6 million (2019: HK$25.1 million). As substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years, the polyol chemicals segment recorded a gross profit of approximately HK$2.4 million (2019: HK$19.8 million) with a gross profit margin of 42.9% (2019: 78.9%).

The Group's ammonia production had been suspended since March 2014 and no sales was made thereafter.

Export sales

During the Year, export sales accounted for approximately 4.5% (2019: 13.3%) of the Group's total revenue. The export sales of upstream products, amino acids and corn sweeteners decreased by 86.7%, 98.6% and 81.0% respectively to approximately HK$22.5 million (2019: HK$168.8 million), HK$5.4 million (2019: HK$380.9 million) and HK$10.7 million (2019: HK$56.4 million) respectively. Such decreases were mainly attributable to the suspension of most of the Group's production facilities during the Year. No export sales of polyol chemicals was recorded for the Year and for the year ended 31 December 2019.

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

Other income and gains

During the Year, other income and gains decreased by 43.1% to approximately HK$389.7 million (2019: HK$684.4 million). Such decrease was mainly attributable to the difference between the recognition of a one-off compensation for the resumption of the Relevant Properties in the amount of approximately HK$428.4 million for the year ended 31 December 2019 and the recognition of gain on resumption of properties owned by a subsidiary of GSH amounted to approximately HK$289.4 million during the Year.

Selling and distribution costs

During the Year, the selling and distribution costs decreased by 78.9% to approximately HK$85.9 million (2019: HK$407.8 million), accounting for approximately 10.1% (2019: 8.9%) of the Group's revenue. Such decrease was mainly attributable to the decline in sales volume.

Administrative expenses

During the Year, administrative expenses decreased by 17.8% to approximately HK$362.3 million (2019: HK$440.7 million), representing 42.7% (2019: 9.7%) of the Group's revenue. Such decrease was mainly attributable to 1) the decrease in salaries and other staff benefits by HK$39.3 million to approximately HK$99.0 million (2019: HK$138.3 million) as the number of headcount had been reduced; and 2) the decrease in depreciation by HK$25.7 million to approximately HK$127.1 million (2019: HK$152.8 million) as most of property, plant and equipments were fully depreciated during the Year.

Other expenses

During the Year, other expenses increased by 90.3% to approximately HK$971.2 million (2019: HK$510.4 million). Such increase was mainly attributable to 1) the increase in expense in relation to idle capacity of certain suspended production facilities of the Group by HK$155.8 million to approximately HK$498.5 million (2019: HK$342.7 million); 2) the increase in finance costs pursuant to the Financial Guarantee Contracts by HK$42.7 million to approximately HK$153.5 million (2019: HK$110.8 million); and 3) a one-off expense for the impairment of property, plant and equipment of approximately HK$124.9 million as a result of the suspension of certain production facilities of the Group during the Year.

Finance costs

During the Year, finance costs of the Group increased by 20.0% to approximately HK$724.8 million (2019: HK$604.1 million), which was mainly attributable to the increase in interest on payables to suppliers amounted to approximately HK$161.2 million (2019: HK$140.9 million) and the increase in the interest on bank and other borrowings to approximately HK$484.1 million (2019: HK$376.3 million) as a portion of the default interest have been accrued during the Year.

Income tax expenses

Due to the recognition of temporary differences, the Group recorded a deferred tax expense of approximately HK$22.3 million (2019: HK$39.2 million) during the Year. Meanwhile, all the subsidiaries of the Group recorded tax losses during the Year and no income tax expenses were recorded for the Year (2019: HK$0.5 million). As a result, the Group recorded tax expense of approximately HK$22.3 million (2019: HK$39.7 million) for the Year.

Loss shared by non-controlling shareholders

During the Year, GSH and another non-wholly-owned subsidiary recorded loss of approximately HK$11.1 million (2019: HK$169.6 million), leading to loss attributable to the non-controlling interests amounted to approximately HK$3.3 million (2019: HK$48.5 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2020 increased by approximately HK$481.8 million to approximately HK$8,109.6 million (31 December 2019: HK$7,627.8 million) as a result of net repayment of certain bank and other borrowings of approximately HK$58.2 million and exchange rate adjustment of approximately HK$540.0 million as at 31 December 2020. On the other hand, the cash and bank balances and pledged bank deposits as at 31 December 2020 also increased but at a lower rate by approximately HK$93.8 million to approximately HK$183.2 million (31 December 2019: HK$89.4 million). As a result, the net borrowings increased by approximately HK$388.0 million to HK$7,926.4 million (31 December 2019: HK$7,538.4 million).

Structure of interest-bearing bank and other borrowings

As at 31 December 2020, the Group's interest-bearing bank and other borrowings of approximately HK$8,109.6 million (31 December 2019: HK$7,627.8 million) were all (2019: all) denominated in Renminbi. The average interest rate during the Year was approximately 8.5% per annum (2019: 6.9% per annum).

The percentage of interest-bearing and other borrowings wholly repayable within one year and in the second to the fifth years were 97.7% and 2.3% (31 December 2019: 73.2% and 26.8%), respectively. As at 31 December 2020, interest-bearing bank and other borrowings amounted to approximately RMB314.2 million (31 December 2019: RMB334.0 million) have been charged at fixed interest rates ranging from 7.0% to 13.6% (31 December 2019: 7.0% to 13.6%) for terms from one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were charged with reference to floating interest rate.

Convertible bonds

Subsequent to the completion of the subscription of shares and Convertible Bonds by Modern Agricultural in October 2015 (the "**Original CB Subscription**") with the maturity date on 15 October 2020 (the "**Maturity Date**"), Convertible Bonds in the aggregate principal amount of HK$1,086,279,565 which may be converted into 4,722,954,631 conversion shares of the Company based on the initial conversion price of HK$0.23 (subject to adjustment) per share upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Pursuant to the terms of the Original CB Subscription, the holder of the Convertible Bonds has the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into new shares of the Company at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date seven days before (and excluding) the date falling on the fifth anniversary of the date of issue, provided that the public float of the shares of the Company shall not be less than 25% or any given percentage as required by the Rules Governing the Listing of Securities (the "**Listing Rule**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). No conversion right has been exercised by Modern Agricultural as at the date of this report.

As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with HK Bloom Investment Limited ("**HK Bloom**" or the "**Subscriber**"), respectively, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new shares (the "**First Subscription Shares**") at the subscription price of HK$0.10 per First Subscription Share (the "**First Subscription**") and an aggregate of 1,228,607,685 new shares (the "**Second Subscription Shares**") at the subscription price of HK$0.1080 per Second Subscription Share (the "**Second Subscription**"). As a result of the completion of the two subscriptions of shares as mentioned above, 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 (the "**Second Subscription Completion**") and the maximum number of shares issuable by the Company upon full conversion of the Convertible Bonds is 5,172,759,833 shares.

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

At 31 December 2020, the Convertible Bonds were divided into liability component and equity component which amounted to approximately HK$849.6 million and HK$972.1 million (31 December 2019: HK$1,034.2 million and HK$290.6 million) respectively, a one-off loss in relation to the modification of the Convertible Bonds amounted to HK$728.2 million (2019: Nil) and effective imputed interest of HK$59.2 million (2019: HK$62.5 million) were recorded to profit or loss during the Year.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Year, trade receivables turnover days increased to approximately 58 days (31 December 2019: 21 days) as longer credit periods were granted to a number of customers with good track records in the Shanghai site.

The trade payables turnover days increased to approximately 685 days (31 December 2019: 156 days) during the Year, as the Group had negotiated with its suppliers to extend the credit terms.

As the Group's inventory decreased by 61.2% to HK$143.4 million (31 December 2019: HK$369.5 million) as a result of the suspension of most of its production facilities during the Year, the inventory turnover days increased to 68 days (31 December 2019: 31 days).

As at 31 December 2020, the current ratio and the quick ratio of the Group remained at 0.1 (31 December 2019: 0.1) and 0.1 (31 December 2019: 0.1) respectively. The Group recorded a net loss of approximately HK$2,433.3 million (2019: HK$1,116.3 million) during the Year, leading to recorded net liabilities value of approximately HK$6,017.1 million (31 December 2019: HK$4,346.0 million). As a result, gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) increased to 387.5% (31 December 2019: 232.4%). To improve the financial position of the Group, the Company has adopted a series of strategic measures as outlined in note 2.2 to the consolidated financial statements.

MAJOR INVESTMENTS

The Group had no material investments as at 31 December 2020. Except for the relocation plan disclosed in the Report of the Directors under section headed "Relocation of production facilities to the Xinglongshan site" on page 59 to page 60 of this report, the Group has no other 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 2020, the Group did not have any significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2020, the Group's interest-bearing bank and other borrowings amounted to approximately HK$5,249,504,000 (31 December 2019: HK$5,314,556,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group which amounted to approximately HK$2,160,107,000 (31 December 2019: HK$2,301,172,000) and HK$117,193,000 (31 December 2019: HK$105,888,000), respectively, and a receivable from disposal of assets which amounted to approximately HK$119,048,000 (31 December 2019: HK$444,444,000).

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 4.5% (2019: 13.3%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The Directors have been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and there is no material unfavourable exposure to foreign exchange fluctuation in the short run. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

IMPORTANT TRANSACTIONS DURING THE YEAR

Reference is made to the joint announcements of the Company and GSH on 24 August 2020 and 30 September 2020 in relation to the first phase of resumption which involved the properties owned by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**") (the "**Dihao Resumption**"), with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres (the "**Dihao Properties**"). Dihao Foodstuff has entered into a compensation agreement with 長春市綠園區人民政府 (The People's Government of Luyuan District of Changchun City*) (the "**Luyuan Government**") on 30 September 2020, pursuant to which Dihao Foodstuff shall surrender the Dihao Properties to the Luyuan Government upon the signing of the agreement. Dihao Foodstuff shall receive a total compensation of approximately RMB443.0 million (equivalent to approximately HK$497.7 million) as a result of the Dihao Resumption, all the compensation in the amount of RMB443.0 million has been received by Dihao Foodstuff as at the date of this report.

Given that the Group was bound to follow the request of the Luyuan Government to surrender the Dihao Properties under the Dihao Resumption and there was no discretion to act in an opposite manner, the Board is of the view that the Dihao Resumption did not constitute a "transaction" under Chapter 14 of the Listing Rules.

IMPORTANT EVENT AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

As mentioned in the paragraph headed "Update on Remedial Measures" of this report, the BOC Transferred Loans have been transferred to Changchun Rudder and each of the BOC Borrowers entered into a Repurchase Agreement on 26 March 2021 to purchase their respective portion of the BOC Transferred Loans so as to discharge their debts and liabilities owed to Changchun Rudder.

The considerations of the GBT Indebtedness and the GSH Indebtedness will be financed by the proceeds from the compensation for the resumption of the Relevant Properties. The completion of the Repurchase Agreements took place on 31 March 2021. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GSH dated 26 March 2021 and 31 March 2021.

FUTURE PLANS AND PROSPECTS

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

The operating environment in 2021 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. The tension between China and the United States (the "**US**") will pose uncertainties to the economy and the pace of recovery. On top of this, the economic slowdown will further add pressure on the already lackluster market. In the short run, the Group will continue to monitor closely the development of the ASF and COVID-19 pandemic, the market conditions as well as the financial conditions of the Group and will ensure the production operation of the Group's subsidiaries to resume as soon as possible to the extent practicable. The Group will also take the opportunity of the relocation of its production facilities to the Xinglongshan site to readjust its product mix and capacity to adapt to market changes, and at the same time, enhance operational efficiency through continuous research and development efforts to lower operating costs.

The relocation plan of the Group will be financed by the Group's internal resources, the proceeds from the compensation for land resumption and through collaboration with industry players. The Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2020, the Group had approximately 4,000 (2019: 4,300) 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 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.

EXECUTIVE DIRECTORS

Mr. Zhang Zihua, aged 51, was appointed as an executive Director on 23 March 2017 and subsequently as the acting chairman of the Company on 20 October 2020. Mr. Zhang is also the chairman of 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Ltd.*) and deputy general manager of 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. Zhang has held a number of positions in various state-owned enterprises in Jilin Province's agricultural sector, including the general manager of 東方匯金期貨有限公司 (Oriental Huijin Futures Co., Ltd.) (formerly known as 吉糧期貨經紀有限公司(Jilin Futures Brokerage Co., Ltd.)), the general manager of asset management department of 吉林省投資集團有限公司 (Jilin Province Investment Group Co., Ltd.), deputy general manager of 吉林經濟合作開發投資有限公司 (Jilin Economic Cooperation Development Investment Co., Ltd.), and the chairman of 吉林省大米股份有限公司 (Jilin Province Rice Co., Ltd.). Mr. Zhang attained a Master's degree in business management from the School of Management of Jilin University in 2005. Mr. Zhang is an executive director of GSH since 23 March 2017 and was appointed as the acting chairman of GSH on 31 December 2018.

Mr. Liu Shuhang, aged 49, was appointed as an executive Director on 26 January 2018. Mr. Liu graduated from China University of Political Science and Law in 1999 majoring in Law. Mr. Liu was the Secretary of Party Committee in Jiangjiadian Village, Liuhe County, Tonghua City, Jilin Province, the PRC from January 2003 to January 2006, then the director of Liuhe Economic Development Zone and First Secretary of Liuhe County Party Committee from January 2006 to December 2010; he was the Deputy County Chief of Liuhe County from December 2010 to July 2016, and he also served the temporary position of associate general manager of risk management department of Bank of China in Jilin Province from September 2014 to September 2015. Mr. Liu was the deputy director-general of the Quality and Technology Supervision Bureau in Tonghua City from July 2016 to January 2018.

NON-EXECUTIVE DIRECTOR

Mr. Gao Dongsheng, aged 51, was appointed as a non-executive Director on 30 June 2020. Mr. Gao obtained a bachelor's degree in structural geology and geomechanics from Peking University in 1991 and a master's degree in business administration from Jilin University in 2005. Mr. Gao has been working in 長春市國有資本投資運營(集團)有限公司 (Changchun State-Owned Capital Investment and Operation Co., Ltd.*) since August 2008, currently holding the position of assistant to general manager. Concurrently, Mr. Gao has also served as the general manager of 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.*) since April 2020.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Dong Hongxia, aged 35, was appointed as an independent non-executive Director on 30 June 2020. Ms. Dong completed the economic management program in Huazhong University of Science and Technology in 2011. Ms. Dong has extensive experience in banking, investments and agricultural sectors. Ms. Dong was a manager in the corporate department of Shenzhen Development Bank Co., Ltd. (now known as Ping An Bank Co., Ltd.) from October 2006 to October 2009. From October 2009 to March 2013, Ms. Dong served as a manager in the investment development department of Shenzhen Selen Science & Technology Co., Ltd., a company listed on Shenzhen Stock Exchange (Stock Code: 002341), responsible for investments in agricultural sector. Ms. Dong is currently the general manager of 深圳市隆灃糧油飼料有限公司 (Shenzhen Longfeng Grain, Oil and Feed Co., Ltd.*).

Mr. Ng Kwok Pong, aged 48, was appointed as an independent non-executive Director on 1 March 2015. Mr. Ng graduated from University of Greenwich with a Bachelor of Arts (Hons) degree in Accountancy and Finance. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of Association of Chartered Certified Accountants. Mr. Ng has over 21 years' experience in auditing and accounting, including working experience in listed companies in Hong Kong. Mr. Ng is currently a regional finance director of Momentum Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 01152).

Mr. Yeung Kit Lam, aged 58, was appointed as an independent non-executive Director on 23 April 2015. Mr. Yeung is a practicing solicitor of Hong Kong. He obtained a Bachelor's degree in social sciences majoring in economics from the University of Hong Kong in 1985. He was awarded with the postgraduate certificate in laws by the University of Hong Kong in 1992, and was admitted as a solicitor of the High Court of Hong Kong in 1994. He also obtained a Bachelor's degree in laws from Peking University in 2001. Mr. Yeung is currently the consultant of Messrs. Yip, Tse & Tang, a firm of solicitors and notaries in Hong Kong. Mr. Yeung has over 26 years of post-qualification experience in the legal field, and has various experiences in litigation and commercial practices.

SENIOR MANAGEMENT

Mr. Chan Sing Fai, aged 37, was appointed as the company secretary and financial controller of the Company on 23 April 2018, and has over 13 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 of Corporate Governance from the Hong Kong Polytechnic University in 2015. He is a member of the Hong Kong Institute of Certified Public Accountants and is an associate member of the Hong Kong Institute of Chartered Secretaries. Mr. Chan has served the Group for over 5 years. He is also the company secretary and financial controller of GSH.

Mr. Chu Lalin, aged 59, holds a Bachelor's degree from the Shijiazhuang Railroad Engineering Academy and has more than 25 years of experience in mechanical and food engineering. He joined the Group in 1996. Mr. Chu was appointed as the deputy chief executive officer of the Company on 24 October 2015. Mr. Chu is also the chief engineer of the Group.

Mr. Wang Guicheng, aged 53, graduated from the Jilin Grain High College for Professional Training, specialising in grain storage and analysis. He joined the Group in 1997 and has been engaging in management of production technology. He has been the general manager of the Xinglongshan production site of the Group since 2015. Mr. Wang was the general manager of the Dehui production site of the Group from July 2016 to March 2017. Mr. Wang was appointed as deputy general manager of the Group's production and operation department in March 2017 and was subsequently appointed as the chief operating officer of the Group and the GSH Group in December 2018.

Mr. Zheng Guichen, aged 59, graduated from the Jilin Grain High College for Professional Training, specialising in food engineering. He joined the Group in 1997. Mr. Zheng has been committed to the Group's production and operation management since then, and acted as the Group's deputy general manager of production and operation department from 2015 to 2016. He was appointed as deputy general manager of the Group's sales department in 2016.

The Company is committed to ensuring high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

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

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

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

BOARD OF DIRECTORS

The number of meetings and attendance by Board members during the Year are set out in the table below:

	Meetings held and attended						
Name of Directors	Board meeting	Audit committee meeting	Nomination committee meeting	Remuneration committee meeting	Corporate governance committee meeting	Executive committee meeting	Annual general meeting
Executive Directors							
Yuan Weisen (a)	4/10		1/2	1/2		0/3	1/1
Zhang Zihua (b)	9/10				1/1	3/3	1/1
Liu Shuhang	10/10					3/3	1/1
Non-executive Directors							
Gao Dongsheng (c)	6/7						–
Liang Wanpeng (d)	2/3						0/1
Independent non-executive Directors							
Dong Hongxia (e)	7/7	2/2	1/1	1/1	1/1		–
Ng Kwok Pong	10/10	3/3	2/2	2/2	1/1		1/1
Yeung Kit Lam	10/10	3/3					1/1
Zhao Jin (f)	3/3	1/1	0/1	0/1			1/1

Remarks:

(a) Mr. Yuan Weisen has resigned as an executive Director and the chairman of the Board, and has ceased to be 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 executive committee (the "**Executive Committee**") of the Company with effect from 9 February 2021.

(b) Mr. Zhang Zihua has been appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 9 February 2021.

(c) Mr. Gao Dongsheng has been appointed as a non-executive Director with effect from 30 June 2020.

(d) Ms. Liang Wanpeng has resigned as a non-executive Director with effect from 30 June 2020.

(e) Ms. Dong Hongxia has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the corporate governance committee (the "**Corporate Governance Committee**") of the Company with effect from 30 June 2020.

(f) Mr. Zhao Jin has resigned as an independent non-executive Director, and has ceased to be the member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee with effect from 30 June 2020.

As of the date of this report, the Board comprises six Directors, being two executive Directors, one non-executive Director 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 20 to page 21 of this report.

The Company believes its independent non-executive Directors comprise a synergy of financial management, 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 shareholders' interest. The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his independence. As of the date of this report, the Board considers all independent non-executive Directors to be independent.

Board diversity

The Company specialises and embraces the benefits of building a diverse and inclusive Board and has adopted the board diversity policy 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 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) A prescribed proportion of female members 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;

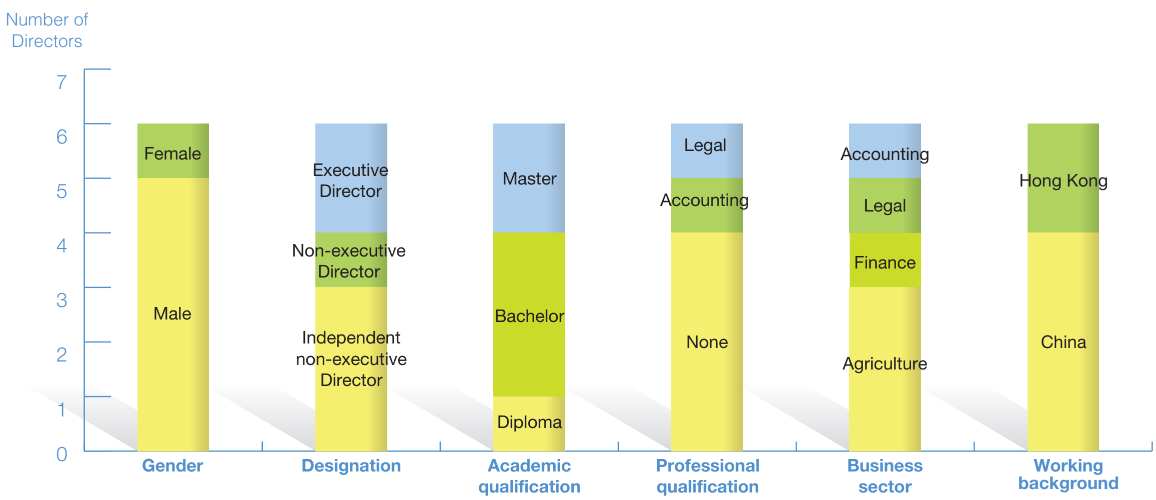
4) A prescribed proportion of members on the Board possessing accounting or other professional qualifications;

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

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

Based on its review, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the board diversity policy of the Company.

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



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 by the Company 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 recourse 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 be briefed about their duties, responsibilities and obligations as a director of a listed company. 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 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		
Yuan Weisen *(Resigned on 9 February 2021)*		✓
Zhang Zihua		✓
Liu Shuhang		✓
Non-executive Directors		
Gao Dongsheng *(Appointed on 30 June 2020)*		✓
Liang Wanpeng *(Resigned on 30 June 2020)*		✓
Independent non-executive Directors		
Dong Hongxia *(Appointed on 30 June 2020)*		✓
Ng Kwok Pong	✓	✓
Yeung Kit Lam		✓
Zhao Jin *(Resigned on 30 June 2020)*		✓

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

The roles of the chairman and chief executive officer of the Company are separate and exercised by different persons. As at the date of this report, Mr. Zhang Zihua is the acting chairman and is mainly responsible for providing leadership and directions to the Board. Mr. Wang Guicheng is the chief operating officer and responsible for overseeing the operation management and product development of the Group.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Gao Dongsheng was appointed as a non-executive Director on 30 June 2020. Ms. Dong Hongxia, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam were appointed as the independent non-executive Directors on 30 June 2020, 1 March 2015 and 23 April 2015, respectively. The terms of initial appointment of the non-executive Director and the independent non-executive Directors have been fixed for two years, which shall be renewable automatically for a successive term of one year commencing from the day after the expiry of the then current term of the appointment, and shall be subject to retirement by rotation and re-election at the AGM at least once every three years in accordance with the Articles of Association.

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 that may arise from their performance of their duties.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	2020	2019
	HK$'000	*HK$'000*
Fees	**810**	1,479
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**–**	–
Performance related bonuses	**–**	–
Equity-settled share option expenses	**–**	–
Pension scheme contributions	**176**	228
	176	228
Total	**986**	1,707

(a) Independent non-executive Directors

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

	2020	2019
	HK$'000	*HK$'000*
Dong Hongxia (a)	**64**	–
Ng Kwok Pong	**240**	240
Yeung Kit Lam	**240**	240
Zhao Jin (b)	**67**	136
Total	**611**	616

Remarks:

(a) Ms. Dong Hongxia was appointed as an independent non-executive Director on 30 June 2020.

(b) Mr. Zhao Jin resigned as an independent non-executive Director on 30 June 2020.

There were no other emoluments payable to the independent non-executive Directors during the Year (2019: Nil).

(b) Non-executive Directors

Ms. Liang Wanpeng resigned as a non-executive Director on 30 June 2020 and Mr. Gao Dongsheng was appointed as a non-executive Director on 30 June 2020. Ms. Liang Wanpeng and Mr. Gao Dongsheng are not entitled to any fees, salaries or management bonuses. There were no emoluments payable to the non-executive Directors during the Year (2019: Nil).

(c) Executive Directors

The executive Directors' remuneration during the Year were as follows:

	Director's fees *HK$'000*	Basic salaries, housing benefits, other allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Equity-settled share option expenses *HK$'000*	Pension contributions *HK$'000*	Total remuneration *HK$'000*
2020						
Yuan Weisen (a and b)	–	–	–	–	–	–
Zhang Zihua (a)	–	–	–	–	–	–
Liu Shuhang	810	–	–	–	176	986
Total	810	–	–	–	176	986
2019						
Yuan Weisen	–	–	–	–	–	–
Zhang Zihua	–	–	–	–	–	–
Liu Shuhang	863	–	–	–	228	1,091
Total	863	–	–	–	228	1,091

Remarks:

(a) According to the Directors' service contracts entered into between the Company and Mr. Yuan Weisen and Mr. Zhang Zihua, Mr. Yuan and Mr. Zhang are not entitled to any basic salary or management bonus.

(b) Mr. Yuan Weisen resigned as an executive Director on 9 February 2021.

(d) Senior Management

The remuneration of the senior management of the Group by band and related number of senior management personnel for the Year were set out below:

Remuneration bands	Number of senior management
Nil to HK$1,000,000	3
HK$1,000,000 to HK$2,000,000	1

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. A statement by the Auditor in respect of their reporting responsibilities is set out in the Independent Auditor's Report.

The Directors are responsible for overseeing the preparation of consolidated financial statements of each financial year. In preparing the consolidated 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 consolidated financial statements on a going concern basis. For the Year, the Auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. The management provided the latest update on the relevant remedial measures taken or to be taken which have been considered, recommended and agreed by the Audit Committee after its critical review of the management's position under the section headed "Update on remedial measures" on page 9 to page 11 of this report.

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 accounts 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 of compliance with relevant statutory requirements and other rules and regulations by the Company.

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 also set up the Executive Committee for the purpose of effective and timely management of the day to day activities of the Group on 23 March 2017.

AUDIT COMMITTEE

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

The 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 consider the Company's financial reporting process, the effectiveness of internal control, the audit process and risk management.

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

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, 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.

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises an executive Director, Mr. Zhang Zihua (chairman of the Nomination Committee), and two independent non-executive Directors, Ms. Dong Hongxia and Mr. Ng Kwok Pong. The duties of the Nomination Committee are, among others, determining policy for the nomination of the Directors, including the nomination procedures, process 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 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" in 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 of the Company 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 24 to page 25 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/she is fully aware of his/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 induction of the Company on the first occasion of his/her appointment.

During the Year, the Nomination Committee held two meetings to review and make recommendations to the Board about the nomination of the proposed candidates to fill the vacancy of the Board.

REMUNERATION COMMITTEE

At the date of this report, the Remuneration Committee comprises an executive Director, Mr. Zhang Zihua and two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Ms. Dong Hongxia. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of the Directors and the senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee also assesses performance of executive Directors and approves the terms of executive 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.

During the Year, the Remuneration Committee held two meetings to review and make recommendations to the Board on the executive Directors' and senior management's remuneration packages.

CORPORATE GOVERNANCE COMMITTEE

As at the date of this report, the Corporate Governance Committee comprises an executive Director, Mr. Zhang Zihua and two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Ms. Dong Hongxia. The duties of the Corporate Governance Committee are, among others, to determine, develop and review the Company's policies and practices on corporate governance and provide 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.

The Corporate Governance Committee held one meeting in 2020.

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

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 the corporate governance report issued by the Stock Exchange; and

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

The Corporate Governance Committee considered that the Company has complied with all other code provisions in the CG Code during the Year.

EXECUTIVE COMMITTEE

At the date of this report, the Executive Committee comprises two executive Directors, namely Mr. Liu Shuhang (the chairman of the committee) and Mr. Zhang Zihua. The duties of the Executive Committee are, among others, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company.

The powers and authorities of the Executive Committee shall not be extended to:

(a) approval of final and interim results of the Company;

(b) declaration, recommendation or payment of any dividend or other distributions;

(c) proposal to the shareholders of the Company to put the Company into liquidation;

(d) approval of any discloseable transaction, major transaction, very substantial acquisition or disposal within the meaning of Chapter 14 of the Listing Rules;

(e) approval of any connected transaction within the meaning of Chapter 14A of the Listing Rules;

(f) matters involving a conflict of interest for a substantial shareholder of the Company and/or a Director;

(g) approving any proposed change in the capital structure, including any redemption of the Company's securities listed on the Stock Exchange;

(h) approving any decision to change the general character or nature of the business of the Company;

(i) matters specifically set out in the Listing Rules which require approval at a full Board meeting; and

(j) any regulations or resolutions or restrictions that may be imposed upon the Committee by the Board from time to time.

Auditor's Remuneration

For the year ended 31 December 2020, the Auditor's remuneration amounted to HK$5,500,000 was incurred for the audit services provided by Mazars CPA Limited.

During the Year, the following amounts were paid as professional fee to Mazars CPA Limited for the provision of non-audit services to the Group:

	HK$'000
Taxation compliance	27
Services for interim report and circulars	972
Total	999

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 22 of this report.

INVESTOR RELATIONS

The Group establishes and maintains different communication channels with its 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. The Group reports the financial performance of the Company to its shareholders twice a year and maintains a regular dialogue with investors.

The AGM provides a useful forum for shareholders to exchange views with the Board. The chairman/acting 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 shareholders at least 20 clear business 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 exercise 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.

A shareholders' communication policy (the "**Policy**") was adopted by the Company to maintain an on-going dialogue with the shareholders and encourage them to communicate actively with the Company. The Company will review the Policy on a regular basis to ensure its effectiveness.

To the best knowledge of the Directors, as of 31 December 2020, details of shareholders by type and aggregate shareholding are as follow:

	Number of shares held	**Percentage of shareholding**	**Market capitalisation (HK$ million)**
Modern Agricultural	3,135,509,196	35.2%	1,175.8
HK Bloom	2,508,407,357	28.2%	940.7
Public float in Hong Kong	3,263,489,164	36.6%	1,223.8
Total	8,907,405,717	100.0%	3,340.3

The 2020 AGM was held on 24 June 2020 to approve the 2019 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.

On 30 November 2020, an EGM was held to, among others, ratify, confirm and approve the supplemental agreement dated 25 September 2020 between the Company and the Bondholder in respect of the extension of the maturity date of the Convertible Bonds issued by the Company to the Bondholder on 15 October 2015 by 32 months from 15 October 2020 to 15 June 2023. All resolutions proposed were passed by way of poll.

On 15 January 2021, an EGM was held to approve (i) the new master supply agreement dated 27 November 2020 (the "**New Master Supply Agreement**") entered into between 吉林糧食資產管理有限公司 (Jilin Grain Asset Management Co., Ltd*) and 吉林農投糧食集團有限公司 (Jilin Nongtou Grain Group Co., Ltd.*) (collectively, the "**Nongtou Subsidiaries**") and the Company in relation to the supply of corn kernels by members of the Nongtou Subsidiaries and their respective subsidiaries from time to time (the "**Nongtou Subsidiaries Group**") to members of the Group, and the related annual caps; and (ii) the new master sales agreement dated 27 November 2020 (the "**New Master Sales Agreement**") entered into between the Nongtou Subsidiaries and the Company in relation to the supply of Corn Starch and Other Products by members of the Group to members of the Nongtou Subsidiaries Group, and the related annual caps. All resolutions proposed were passed by way of poll.

The 2021 AGM will be held on 27 May 2021 to approve, among others, the 2020 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 suggested to adopt a dividend policy to provide the shareholders with regular dividends. The Company considers stable and sustainable returns to 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 at 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 and internal audit team, to review 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. The annual review also includes the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

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 Organizations of the Treadway Commission) internal control framework, considering such factors as recognised risks, organisational change, overall materiality of each unit, previous internal audit results, Auditors' comments, output from the work of the Audit Committee and management's views. Each 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 management or the Audit Committee.

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

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 the 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 a 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.

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 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 trade-offs 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,

— 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. The Group has documented those processes which are critical to the Group's performance. Within this exercise, key risks have been identified, along with the controls required to mitigate those risks, after which, 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 presents findings 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 2020	Key risk mitigations
Financial risks:		
Liquidity risk of inadequate funding	Suspension of productions increased the liquidity risk	Resumption of Relevant Properties to obtain additional fund and consolidation of the Group's resources in production base with higher efficiency
Inability to renew the bank borrowings on time	A majority of bank borrowings has been transferred according to the debt restructuring plan	Actively negotiate with the Local Government and creditors to achieve the debt restructuring plan
Compliance risks:		
Non-compliance with the Listing Rules and other ordinances	—	Periodic review and testing of the internal control systems were carried out following the recommendations from internal audit department Sufficient training have been provided to the PRC and Hong Kong staff to enhance their knowledge and communciation among staff in order to avoid the non-compliance
Strategic risks:		
Market competition	Keen competition in domestic and overseas markets in various business segments of the Group	Additional research and development efforts targeted to diversify product range and mix to serve changing market needs

Risk description	Changes in 2020	Key risk mitigations
Operation risks:		
The COVID-19 pandemic is raging globally	The operating environment has been materially affected by the COVID-19 pandemic	Streamline the operation to secure the liquidity of the Group and closely monitor market changes
Ageing production plants	Productivity lowered with ageing production facilities	Speed up the relocation of production facilities so as to upgrade production technology and product mix to cope with market changes
Environmental risks:		
Outbreak of animal disease which has a material impact on the market of the Group's feed-related products	Continued impact of the outbreak of the ASF in the PRC	Research and development work on further cost saving and diversify product mix to cater to the need from different market to lower risks

In 2020, the internal audit department conducted a review on the effectiveness of the risk management and internal control systems of the Group, and where weaknesses were identified, means for improvement were 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 CG Code on internal controls and risk management during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The 2020 Environmental, Social and Governance Report (the "**ESG Report**") will be available on or before 31 May 2021. Please view and download the ESG Report from the Company's website at http://www.globalbiochem.com under the heading "Investor Relations" or the website of the Stock Exchange.

SHAREHOLDERS' RIGHTS

1. Procedures for shareholders to convene an EGM

1.1 The following procedures for 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 ir@globalbiochem.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 twenty-one (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 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 annual report.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@globalbiochem.com.

2.3 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 ir@globalbiochem.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 the consideration of the Proposal raised by the shareholder 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 by way of an ordinary resolution in an AGM or 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 an AGM or approval by way of a special resolution of the Company.

The Directors 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 principally engaged in the manufacture and sale of corn refined products and corn-based biochemical products. Details of the principal activities of the principal subsidiaries are set out in note 16 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 & Analysis on page 4 to page 6 and page 7 to page 19 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 41 to page 42 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 & Analysis under section headed "Important event affecting the Group subsequent to the Year under review" on page 18 to page 19 of this report. An indication of likely future development of the Group is disclosed in Management Discussion & Analysis under section headed "Future plans and prospects" on page 19 of this report.

RESULTS AND DIVIDENDS

The Group's loss for the Year and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on page 64 to page 153 of this report.

The Directors do not recommend the payment of any dividend for the Year (2019: Nil).

The Company adopts a dividend policy which is set out on page 37 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 154 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 the movements in the Company's share capital during the Year are set out in note 31 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 existing shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders of the Company 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 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 38 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2020, the Company did not have reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the "**Companies Law**") of the Cayman Islands. Under the Companies Law of the Cayman Islands, the share premium of the Company of approximately HK$3,137,033,000 as at 31 December 2020 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 Company's share premium may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's five largest customers accounted for less than 30.0% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for 30.0% of the total purchases for the Year and the purchase from the largest supplier included therein accounted for 8.4% of the total purchases for the Year.

None of the Directors or any of their 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.

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 minimize 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 of the Company. 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:

Yuan Weisen *(resigned on 9 February 2021)*
Zhang Zihua
Liu Shuhang

Non-executive Directors:

Gao Dongsheng *(appointed 30 June 2020)*
Liang Wanpeng *(resigned on 30 June 2020)*

Independent non-executive Directors:

Dong Hongxia *(appointed 30 June 2020)*
Ng Kwok Pong
Yeung Kit Lam
Zhao Jin *(resigned on 30 June 2020)*

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. Liu Shuhang and Mr. Yeung Kit Lam will retire as Directors. Mr. Liu Shuhang and Mr. Yeung Kit Lam, being eligible, will offer themselves for re-election as Directors at the AGM.

The Company has received annual confirmations from each of Ms. Dong Hongxia, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam of their independence pursuant to rule 3.13 of the Listing Rules during the Year. As at the date of this report, the Company 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 20 to page 22 of the this report.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

The executive Director, Mr. Zhang Zihua entered into a service agreement with the Company for a term of three years commencing on 23 March 2017. The above service contract is renewable automatically for a successive term of one year commencing from the day after the expiry of the then current term of the executive's appointment and subject to termination by either party by giving not less than three months' notice in writing.

The executive Director, Mr. Liu Shuhang entered into a service contract with the Company for an initial term of one year commencing from 26 January 2018, which shall be renewable automatically for successive terms of one year commencing from the day after the expiry of the then current term of the executive's appointment and subject to termination by either party by giving not less than three months' notice in writing.

The non-executive Director, Mr. Gao Dongsheng has entered into an appointment letter with the Company for a term of two years commencing on 30 June 2020. The independent non-executive Directors, Ms. Dong Hongxia, Mr. Ng Kwok Pong and Mr. Yeung Kit Lam, have each entered into an appointment letter with the Company for a term of two years commencing on 30 June 2020, 1 March 2015 and 23 April 2015, respectively. The terms of service of the non-executive Directors shall be renewable automatically for successive terms of one year commencing from the day after the expiry of the then current terms of the non-executive Directors' appointments and subject to termination by either party by giving not less than three months' notice in writing.

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 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

Save for the New Master Supply Agreement and the New Master Sales Agreement in which Mr. Yuan Weisen (resigned as director on 9 February 2021) had a material interest and the Supplemental Agreement in which Mr. Yuan Weisen, Mr. Zhang Zihua and Mr. Gao Dongsheng had a material interest, no 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. For details of the New Master Supply Agreement, the New Master Sales Agreement and the Supplemental Agreement, please refer to the paragraph headed "Connected Transactions" on page 52 to page 53 of the report.

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 the 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

Save as disclosed in the section headed "Connected Transactions" on page 52 to page 54 of this report, there was no other contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, none of the Directors or chief executives of the Company has any interests and short positions, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to 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 acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company and 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 2020, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
HK Bloom (a)	2,508,407,357	28.16
Modern Agricultural (b)	8,308,269,029	93.27
Bank of Jilin Co., Ltd (c)	1,279,799,672	14.37

Remarks:

(a) HK Bloom is beneficially owned as to 50.0% and 50.0% by Mr. Li Zhenghao ("**Mr. Li**") and Ms. Sun Zhen ("**Ms. Sun**"), respectively. Under the SFO, each of Mr. Li and Ms. Sun is deemed to be interested in all the shares interested by HK Bloom.

(b) (i) 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, 60% of the investment capital of PRC LLP is owned by Nongtou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of the Company. Nongtou is controlled by 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province*) ("**Jilin SASAC**"). Each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC are deemed to be interested in the interest held by the Company.

(ii) Amongst 8,308,269,029 shares of the Company held by Modern Agricultural, 5,172,759,833 shares represented shares which may be issued to it upon full conversion of the Convertible Bonds. As such, as at 31 December 2020, Modern Agricultural was the beneficial owner of 3,135,509,196 shares of the Company, representing approximately 35.2% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds, Modern Agricultural will become the holder of 8,308,269,029 shares of the Company, representing approximately 59.0% of the issued share capital of the Company as enlarged by the allotment and issue of conversion shares under the Convertible Bonds. As approved by the independent shareholders at the EGM held on 30 November 2020, Modern Agricultural has obtained a waiver under note 1 on dispensations from Rule 26 of The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"), therefore, no offer under Rule 26 of the Takeovers Code would arise upon full conversion of the Convertible Bonds by Modern Agricultural.

(c) Bank of Jilin Co., Ltd is a person having a security interest in shares.

As at 31 December 2020, none of the Directors or chief executives of the Company had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

(i) Continuing connected transactions

On 12 September 2018, the Company entered into the master supply agreement (the "**Master Supply Agreement**") with Nongtou, the indirect controlling shareholder of the Company, in relation to the supply of corn kernels by the Nongtou Group to members of the Group and the master sales agreement (the "**Master Sales Agreement**") in relation to supply corn starch and other corn-based products such as corn gluten meal, corn fibre, corn oil, corn germ meal, corn sweeteners and amino acid products ("**Corn Starch and Other Products**") by members of the Group to members of the Nongtou Group on an ongoing basis. The Master Supply Agreement and the Master Sales Agreement expired on 31 December 2020. During the Year, the Group purchased corn kernels amounted to HK$20.3 million from members of Nongtou Group under the Master Supply Agreement and sale of Corn starch and Other Products by members of the Group to members of the Nongtou Group under the Master Sales Agreement amounted to HK$15.0 million.

Pursuant to the Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with members of the Nongtou Group from time to time during the term of the Master Supply Agreement for the purpose of confirming the purchase of corn kernels by the relevant members of the Group. Such purchase orders or sales contracts shall specify the detailed terms of such purchase, including form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that such separate purchase orders or sales contracts shall be for a fixed term and in any event not exceeding the term of the Master Supply Agreement, at pricing terms and otherwise on terms in compliance with those set out in the Master Supply Agreement.

Under the Master Supply Agreement, the Nongtou Group shall supply corn kernels to the Group at market rates and such price (exclusive of transportation, storage and/or insurance cost) shall not be higher than the highest price of the prices below:

(1) the average unit transaction price at the latest corn price in Liaoning Province, Jilin Province and Heilongjiang Province as announced on the official website of National Grain Trade Centre of the PRC (www.grainmarket.com.cn) within 15 days before the proposed date of the making of purchase order by any member of the Group;

(2) the average unit corn transaction price published on the official website of Dalian Commodity Exchange (www.dce.com.cn) of the latest trade matching day before the proposed date of the making of purchase order by any member of the Group; and

(3) the latest corn price in Liaoning Province, Jilin Province and Heilongjiang Province obtained from China Corn Network (www.yumi.com.cn), an independent third party price consulting platform on the date of making purchase order by any member of the Group.

Pursuant to the Master Sales Agreement, members of the Nongtou Group shall enter into purchase orders or sales contracts with members of the Group from time to time during the term of the Master Sales Agreement for the purpose of confirming the purchase of Corn Starch and Other Products by the relevant members of the Nongtou Group. Such purchase orders or sales contracts shall specify the detailed terms of such purchase, including form of delivery, payment and remittance time and method (if there is any delay in payment by the purchaser, interest rate of interest chargeable by the supplier shall not be lower than (a) the payment overdue interest rate charged by the Group to the independent purchaser from time to time; and (b) the payment overdue interest rate charged by the purchaser to the Group in other transactions), quality warranties and inspection, and the respective rights and obligations of each party, provided that such separate purchase orders or sales contracts shall be for a fixed term and in any event not exceeding the term of the Master Sales Agreement, at pricing terms and otherwise on terms in compliance with those set out in the Master Sales Agreement.

Under the Master Sales Agreement, the Group shall supply Corn Starch and Other Products to the Nongtou Group at market rates charged by the Group to independent third parties for the sale of Corn Starch and Other Products of the same or similar type, and such price shall not be lower than the average unit price of the Corn Starch and Other Products charged by the Group to independent customers for the sale of Corn Starch and Other Products of the same or similar type during the same period or (if no such transaction during the same period) the most recent period (price exclusive of transportation, storage and/or insurance costs).

As Nongtou is a controlling shareholder of the Company through its control in PRC LLP, which indirectly holds the entire issued share capital of Modern Agricultural, Nongtou is a connected person of the Company. Accordingly, the transactions contemplated under the Master Supply Agreement and the Master Sales Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that the terms of the Master Supply Agreement and the Master Sale Agreement are fair and reasonable, and the continuing connected transactions as contemplated under the Master Supply Agreement and the Master Sale Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole. The Auditor has confirmed that the above continuing connected transactions have complied with the matters as set out in rule 14A.56 of the Listing Rules.

Save for the above continuing connected transactions, the other related party transactions entered into between the Group and the Nongtou Group which are disclosed in note 35 to the consolidated financial statements also constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and such transactions are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Due to the expiration of the Master Supply Agreement and the Master Sales Agreement on 31 December 2020, on 27 November 2020, the Company entered into the New Master Supply Agreement and the New Master Sales Agreement with the Nongtou Subsidiaries. The New Master Supply Agreement and the New Master Sales Agreement have become effective on 15 January 2021, i.e. the date of obtaining of independent shareholders' approval at the EGM. For details of the New Master Supply Agreement and the New Master Sales Agreement, please refer to the Company's announcement dated 27 November 2020 and circular dated 21 December 2020.

(ii) Subscription of shares under a specific mandate

On 27 September 2019, in order to raise cash for the Company, the Company entered into a subscription agreement (the "**Second Subscription Agreement**") with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,228,607,685 new ordinary shares at the subscription price of HK$0.1080 per share. As at the date of the Second Subscription Agreement, the Subscriber was the beneficial owner of approximately 16.7% of the total issued share capital of the Company. Accordingly, the Subscriber was a substantial shareholder and a connected person of the Company under Chapter 14A of the Listing Rules. The gross proceeds from the Second Subscription amounted to approximately HK$132,690,000. The net proceeds from the Second Subscription after deduction of relevant expenses, amounted to approximately HK$132,000,000. The Second Subscription Shares represented 16.0% of the total issued share capital of the Company immediately before the completion of the Second Subscription and approximately 13.8% of the total issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription Shares. All conditions precedent to the Second Subscription Completion have been fulfilled or waived and the Second Subscription Completion took place on 29 April 2020.

For details of the Second Subscription, please refer to the Company's announcement dated 27 September 2020 and 29 April 2020, and the circular dated 22 November 2019.

(iii) Extension of maturity date of Convertible Bonds

On 25 September 2020, the Company and Modern Agricultural, the controlling shareholder interested in approximately 35.2% of the issued share capital of the Company, entered into the Supplemental Agreement for the proposed extension of the Maturity Date by 32 months to 15 June 2023. The resolutions to approve the Extension were passed by way of poll at the EGM held on 30 November 2020 and the Extension took effect from that date. For the details of the Extension, please refer to the announcement of the Company dated 25 September 2020 and the circular of the Company dated 5 November 2020.

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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this report, there was sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the Year.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

(1) Reference is made to the joint announcement of the Company and GSH dated 21 September 2018. Under a loan agreement (the "**Loan Agreement**") entered into between 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.) ("**Jinzhou Dacheng**"), which is an indirect wholly-owned subsidiary of GSH, and 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*) (the "**Lender**") in respect of a 12-month fixed term loan due in December 2018 (the "**Loan**"), Jinzhou Dacheng was required to satisfy certain financial covenants. Failure to comply with such financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. The Loan has been guaranteed by GSH and certain members of the GSH Group have also provided guarantees and securities to secure the Loan. Jinzhou Dacheng has failed to fulfill certain financial covenants under the Loan Agreement. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group. As at the date of this report, certain financial covenants under the Loan Agreement have yet to be fulfilled and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement with the outstanding principal amount of approximately RMB19.8 million as at the date of this report.

(2) As disclosed in the joint announcement of the Company and GSH dated 25 February 2020, the Group has defaulted in, among other, the repayment of certain loans under the loan agreements entered into between a subsidiary of the Company and 中國進出口銀行吉林省分行 (Jilin Branch of The Export-Import Bank of China*) ("**Jilin Branch Export-Import Bank**") with an aggregate outstanding principal amount of approximately RMB648.0 million together with outstanding interest (the "**GBT Jilin Branch Export-Import Loan**") and the syndicated loan agreement entered into among a subsidiary of the Company and 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) ("**Jilin Branch CCB**"), 中國建設銀行股份有限公司長春西安大路支行 (Changchun Xian Road Branch of China Construction Bank Corporation*) ("**Changchun CCB**") and 中國進出口銀行 (The Export-Import Bank of China*) ("**Export-Import Bank**") with an aggregate outstanding principal amounts of approximately RMB1.8 billion together with outstanding interest (the "**GBT Syndicated Loan**").

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

As at the date of this report, the Group has yet to receive any waiver for the default in the repayment of the GBT Jilin Branch Export-Import Loan and the GBT Syndicated Loan and the outstanding principal amount under the GBT Jilin Branch Export-Import Loan and the GBT Syndicated Loan are approximately RMB648.0 million and RMB1.8 billion, respectively.

(3) Reference is made to the joint announcement of the Company and GSH dated 4 May 2020. Under the various loan agreements (collectively, the "**Yuancheng Loan Agreements**") entered into between Jinzhou Yuancheng, and each of 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) and 中國銀行股份有限公司錦州港支行 (Jinzhou Branch of Bank of China*) (collectively, the "**Yuancheng Lenders**") for the aggregate principal amount of RMB219.9 million (collectively, the "**Yuancheng Loans**"), Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loans immediately due and payable. As at the date of this report, Jinzhou Yuancheng has failed to fulfill certain financial covenants under the Yuancheng Loan Agreements. Such breach entitles the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group. As at the date of this report, Jinzhou Yuancheng has yet to receive waiver from the Yuancheng Lenders and the outstanding principal amount under the Yuancheng Loan Agreements is approximately RMB219.9 million.

(4) Reference is made to the joint announcement of the Company and GSH dated 23 December 2020 regarding certain loan agreements entered into between certain subsidiaries of the Group, 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.*) ("**Nongan Branch ABC**") and Changchun CCB with aggregate outstanding principal amounts of RMB920.0 million (excluding loans of the GSH Group) together with respective outstanding interest (the "**GBT ABC Loan**") and RMB740.0 million together with respective outstanding interest (the "**GBT CCB Loan**") respectively, that 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 GSH Group. As at the date of this report, the Group has yet to receive any waiver from Nongan Branch ABC and Changchun CCB and the outstanding principal amounts under the GBT ABC Loan and the GBT CCB Loan are approximately RMB920.0 million and RMB740.0 million, respectively. The maximum liability guaranteed by the Company under the GBT ABC Loan is RMB1,660.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements and certain subsidiaries of the Company have also provided collaterals to secure such loan agreement in amount of approximately RMB400.0 million. The maximum liability guaranteed by the Company under the GBT CCB Loan is RMB1,000.0 million.

On the other hand, the fixed term loan under a loan agreement entered into between a subsidiary of GSH and Nongan Branch ABC with an aggregate outstanding principal amount of RMB180.0 million together with respective outstanding interest (the "**GSH ABC Loan**") has become immediately due and payable before its maturity date in June 2021 in contemplation of the debt restructuring plan of the Group and the GSH Group. As at the date of this report, the GSH Group has defaulted in the repayment of such loan with the outstanding principal amount of approximately RMB180.0 million and has yet to receive any waiver from Nongan Branch ABC. The maximum liability guaranteed by GSH is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under such loan agreement. Certain subsidiaries of GSH have also provided collaterals to secure such loan.

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

As disclosed in the joint announcement of the Company and GSH dated 23 December 2020, the transfer agreements entered into between China Cinda and each of 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) ("**Jilin Branch ABC**") and Jilin Branch CCB. Jilin Branch ABC (acting on behalf of Nongan Branch ABC) and Jilin Branch CCB (acting on behalf of Changchun CCB) have each agreed to sell to China Cinda, and China Cinda has agreed to purchase, all of the rights and benefits of the loans owed by the Group and the GSH Group to Nongan Branch ABC 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**") at a consideration of approximately RMB414.7 million; and the loans owed by the Group to Changchun CCB with an aggregate outstanding principal amount of approximately RMB1,983.5 million and aggregate outstanding interest of approximately RMB128.5 million (the "**CCB Transferred Loans**") at a consideration of approximately RMB583.6 million. The ABC Transferred Loans include, among others, the GBT ABC Loan and the GSH ABC Loan. The CCB Transferred Loans include among others, the GBT CCB Loan and Changchun CCB's portion of the GBT Syndicated Loan.

The Company will endeavour to facilitate the implementation of the debt restructuring plan for the ABC Transferred Loans and the CCB Transferred Loans under similar arrangement to the Repurchase Agreements. The Board expects that after the completion of the debt restructuring, the financial position of the Group will be significantly improved.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to Dajincang

As announced by the Company on 31 March 2015, financial guarantees were first granted by the Guarantor Subsidiaries in respect of the indebtedness of Dajincang due to 中國銀行股份有限公司長春偉峰國際支行 (Bank of China Changchun Weifeng International Branch*) ("**Weifeng BOC**") between November 2010 to March 2015.

As disclosed in the joint announcement of the Company and GSH dated 6 November 2018 and the circular of the Company dated 3 December 2018, Dajincang still did not have sufficient financial resources to repay the Dajincang Indebtedness with an aggregate outstanding principal amount of RMB2.49 billion, together with outstanding interest, that was guaranteed by the Guarantor Subsidiaries to Weifeng BOC. The maximum guaranteed amount was RMB2.5 billion, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements.

As disclosed in the joint announcement of the Company and GSH dated 25 February 2020, the Group has been notified by BOC Jilin Branch in mid-February 2020 that it has entered into a transfer agreement with China Cinda in relation to the BOC Transferred Loans which included the Dajincang Indebtedness guaranteed by the Guarantor Subsidiaries. As further disclosed in the joint announcement of the Company and GSH dated 18 January 2021, China Cinda has transferred the BOC Transferred Loans to Changchun Rudder. Subsequently, Dajincang entered into a Repurchase Agreement with Changchun Rudder on 26 March 2021, pursuant to which Changchun Rudder had agreed to sell to Dajincang, and Dajincang had agreed to purchase, all of the rights and benefits of the Dajincang Indebtedness. The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreement entered into between Changchun Rudder and Dajincang, all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GSH dated 26 March 2021 and 31 March 2021.

FUNDRAISING ACTIVITIES

Subscription of new shares under the specific mandate

As disclosed in the announcement of the Company dated 27 September 2019, the Group was in an imminent need of cash. On the other hand, the Subscriber has expressed its confidence in the future development of corn related industry and the Group, and its interest to further invest in the Group. On 27 September 2019, the Company entered into the Second Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,228,607,685 new ordinary shares at the subscription price of HK$0.1080 per share. The aggregate nominal value of the Second Subscription Shares amounted to HK$122,860,768.5. The gross proceeds from the Second Subscription amounted to approximately HK$132,690,000. The net proceeds from the Second Subscription, after the deduction of relevant expenses, amounted to approximately HK$132,000,000, and the net price to the Company of each Second Subscription Share is approximately HK$0.1074. The closing price of each of the Second Subscription Share on the date of the Second Subscription Agreement was HK$0.1350. The Second Subscription Shares represent 16.0% of the total issued share capital of the Company immediately before the completion of the Second Subscription and approximately 13.8% of the total issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription Shares. All conditions precedent to the Second Subscription Completion have been fulfilled or waived and the Second Subscription Completion took place on 29 April 2020.

For details of the Second Subscription, please refer to the Company's announcement dated 27 September 2020 and 29 April 2020, and the circular dated 22 November 2019.

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

Intended use of proceeds	Timeline of use	Amount of the intended use of net proceeds (HK$) (approx.)	Actual use of net proceeds during the Year (HK$) (approx.)
Repayment of trade and other payables of the Group's PRC subsidiaries	April 2020 – September 2020	56,000,000	56,000,000
Procurement of corn and other operational expenses	April 2020 – September 2020	76,000,000	76,000,000
		132,000,000	132,000,000

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

Reference is made to the Suspension of Operation Announcements. Due to poor market sentiment, the COVID-19 pandemic and the significant increase in the domestic corn price, the overall demand for corn refined products have been negatively affected as downstream consumption shrank. The Board, having considered the pros and cons of continuing the upstream operation of the Group based on the then available financial information of the Group and assessed the then current market conditions, concluded that it was more favourable for the Group to suspend all upstream operation. In addition, the poor market sentiment and the outbreak of the ASF continued to pose impacts on amino acids segment. As a result, the operations of the Group's amino acids production facilities have been suspended since August 2019 to minimise cash outflow.

The COVID-19 pandemic has also brought about concerns in relation to food security in China. The stockpiling of corn by grain traders in the PRC and the relaxation of extra import tariffs on out-of-quota sugar are expected to continue in 2021. As such, domestic corn price is expected to remain at high level in 2021; and domestic sugar/sweeteners producers will continue to face keen competition from importers from other countries. The delay in transportation as a result of lockdowns, the tension between China and the US and other trade restrictions may also pose challenges to the Group's export business. On the other hand, the PRC government is also keen on rebuilding the swine husbandry industry and restoring the herd population to satisfy the demand from the huge population in the PRC. This will bring the feed industry in China back on track which will help to boost the respective markets of the Group's upstream corn refined products and amino acid products.

As at the date of this report, the suspensions of operation as disclosed in the Suspension of Operation Announcements remained. The management expects that the COVID-19 pandemic will continue to put pressure on the Group's business and affect the operations of the Group. The continued suspension of operation or low facility utilisation rate had an impact on the performance and financial positions of the Group in various aspects, for instance, the impairment of certain suspended production facilities in amount of approximately HK$124.9 million recognised during the Year. The management of the Group will continue to assess the impact of the COVID-19 pandemic on the financial positions of the Group and closely monitor the market conditions and the financial conditions of the Group, and will ensure that the production operation of such subsidiaries will resume as soon as possible to the extent practicable.

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2020 Interim Report, in relation to, among others, the relocation of production facilities of the Group to the Xinglongshan site. The relocation plan of the Group will be financed by the Group's internal resources, the proceeds from the compensation of the resumption of the Relevant Properties and through collaboration with industry players. The management of the Company is of the view that the existing technology knowhow of the Group is sufficient for the relocation of the production facilities.

Due to the challenging economic environment and the continued impact of the COVID-19, the Group will continue to assess the changing market conditions and the progress of the resumption of the Relevant Properties so as to the update and revise the feasibility studies for submission to, among others, the relevant government bodies for approval. As such, the expected time for relocation of production facilities is revised as follows:

Products to which the production facilities relate	Production site to which the production facilities will be relocated	Production capacity of the relevant production facilities to be relocated *(MT per annum)*	Expected time for the relocation of production facilities *(Remark)*
Methanol	the Xinglongshan site	165,000	Tentatively to be completed by 2021
Modified starch — food grade (phase 1)	the Xinglongshan site	20,000	June 2019 – December 2021
Modified starch (phase 2)	the Xinglongshan site	60,000	Pending the availability of capital and favourable market condition
Corn oil	the Xinglongshan site	63,000	June 2019 – December 2021
Lysine	the Xinglongshan site/ Dehui City of Changchun	100,000	Pending the availability of capital and favourable market condition
Corn refinery	Dehui City of Changchun	600,000	Pending the availability of capital and favourable market condition
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000	Pending the availability of capital and favourable market condition

Remark: The expected time for relocation of production facilities is subject to the final decision of the management from time to time, taking into account the relevant product markets and the obtaining of the approval from, among others, the relevant government bodies on the feasibility studies. The timetable may thus change accordingly and the Company will provide update to its shareholders and potential investors by way of announcement as and when appropriate.

AUDITOR

Mazars CPA Limited will retire and a resolution for their reappointment as the Auditor will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Zhang Zihua
Acting Chairman

Hong Kong
31 March 2021

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To the shareholders of
Global Bio-chem Technology Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on page 64 to page 153, which comprise the consolidated statement of financial position at 31 December 2020, 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 matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

As a result of similar limitations of audit scope as mentioned below, among others, a disclaimer of opinion was expressed by us in our report dated 26 March 2020 on the consolidated financial statements of the Group for the year ended 31 December 2019.

(i) Financial guarantee contracts

As mentioned in notes 2.2 and 33 to the consolidated financial statements, certain subsidiaries of the Company had jointly provided corporate guarantees in connection with financing facilities granted to a former major supplier of the Group which amounted to RMB2.5 billion at 31 December 2019 and 2020 (the "**Financial Guarantee Contracts**"). In addition, an indirect major shareholder of the Company provided a confirmation in writing that it would undertake all the liabilities that might arise from the Financial Guarantee Contracts and provide financial support to the Group to enable it to continue as a going concern (the "**Confirmation**"). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As the management of the Company had not developed and applied an appropriate accounting policy for the Confirmation and had not determined the fair value of the Financial Guarantee Contracts for initial recognition and the carrying amount for subsequent measurement in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), we were unable to determine whether any adjustments in respect of the Financial Guarantee Contracts and the Confirmation at 31 December 2019 and 2020 were necessary, which may have a significant impact on the financial position of the Group at 31 December 2019 and 2020, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2020.

(ii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2020, the Group had net current liabilities and capital deficiency of HK$11,118 million and HK$6,017 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$2,433 million for the year ended 31 December 2020. In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts may have a significant negative impact on the liquidity position of the Group. These conditions, along with other matters as set forth in note 2.2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Company and the development of the events as described in note 2.2 to the consolidated financial statements. The management of the Company is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2020. 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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong 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 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 Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters 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

31 March 2021

The engagement director on the audit resulting in this independent auditor's report is:
Yip Ngai Shing
Practising Certificate Number: P05163

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**848,867**	4,561,391
Cost of sales		**(774,767)**	(4,357,862)
Gross profit		**74,100**	203,529
Other income and gains	5	**389,748**	684,375
Selling and distribution costs		**(85,876)**	(407,789)
Administrative expenses		**(362,313)**	(440,695)
Other expenses		**(971,237)**	(510,420)
Loss on modification of convertible bonds	28	**(728,190)**	—
Share of loss of a joint venture	18	**(2,332)**	(1,541)
Finance costs	6	**(724,826)**	(604,076)
LOSS BEFORE TAX	7	**(2,410,926)**	(1,076,617)
Income tax expenses	10	**(22,340)**	(39,717)
LOSS FOR THE YEAR		**(2,433,266)**	(1,116,334)
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		**(350,555)**	95,923
Reclassification adjustment in respect of exchange reserve upon deregistration/deemed disposal of a subsidiary		**401**	(975)
		(350,154)	94,948
Items that will not be reclassified subsequently to profit or loss:			
Gain on properties revaluation, net		**–**	157,313
Income tax effect		**–**	(39,329)
	13	**–**	117,984
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX		**(350,154)**	212,932
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,783,420)**	(903,402)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(2,429,949)**	(1,067,819)
Non-controlling interests		**(3,317)**	(48,515)
		(2,433,266)	(1,116,334)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(2,775,616)**	(877,929)
Non-controlling interests		**(7,804)**	(25,473)
		(2,783,420)	(903,402)
LOSS PER SHARE			
Basic	12	**HK(28.6) cents**	HK(15.5) cents
Diluted	12	**HK(28.6) cents**	HK(15.5) cents

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 *HK$'000*	2019 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,797,334**	6,151,537
Right-of-use assets	14	**511,082**	563,682
Deposits paid for acquisition of property, plant and equipment		**45,208**	58,502
Intangible assets	15	**3,751**	3,751
Interests in an associate	17	**—**	—
Interests in a joint venture	18	**2,004**	4,336
Equity investment at fair value through other comprehensive income ("**Designated FVOCI**")	19	**208**	208
		6,359,587	6,782,016
CURRENT ASSETS			
Inventories	20	**143,367**	369,496
Trade and bills receivables	21	**134,766**	267,870
Prepayments, deposits and other receivables	22	**780,677**	721,852
Due from a joint venture		**—**	4,270
Pledged bank deposits	23	**29,874**	9,916
Cash and bank balances	23	**153,323**	79,509
		1,242,007	1,452,913
CURRENT LIABILITIES			
Trade and bills payables	24	**1,357,959**	1,551,476
Other payables and accruals	25	**2,962,845**	2,047,566
Due to an associate		**1,410**	1,593
Due to a joint venture		**4,719**	—
Tax payables		**105,569**	107,967
Interest-bearing bank and other borrowings	26	**7,925,118**	5,583,337
Lease liabilities	27	**2,188**	3,700
Convertible bonds	28	**—**	1,034,246
		12,359,808	10,329,885
NET CURRENT LIABILITIES		**(11,117,801)**	(8,876,972)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(4,758,214)**	(2,094,956)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**184,524**	2,044,444
Lease liabilities	27	**—**	2,188
Deferred income	29	**120,839**	120,294
Deferred tax liabilities	30	**103,877**	84,109
Convertible bonds	28	**849,621**	—
		1,258,861	2,251,035
NET LIABILITIES		**(6,017,075)**	(4,345,991)

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CAPITAL AND RESERVES			
Share capital	31	**890,741**	767,880
Reserves		**(6,751,886)**	(4,965,745)
Deficit attributable to owners of the Company		**(5,861,145)**	(4,197,865)
Non-controlling interests		**(155,930)**	(148,126)
TOTAL DEFICIT		**(6,017,075)**	(4,345,991)

These consolidated financial statements on page 64 to page 153 were approved and authorised for issue by the board of directors on 31 March 2021 and signed on its behalf by

Zhang Zihua
Director

Liu Shuhang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Properties revaluation reserve *HK$'000*	Convertible bond reserve *HK$'000*	Other reserve *HK$'000*	Statutory reserve fund *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2020	767,880	2,839,469	898,575	290,585	15,677	114,034	2,127,173	(11,251,258)	(4,197,865)	(148,126)	(4,345,991)
Loss for the year	–	–	–	–	–	–	–	(2,429,949)	(2,429,949)	(3,317)	(2,433,266)
Other comprehensive (loss) income for the year											
– Exchange realignment	–	–	–	–	–	–	(345,924)	–	(345,924)	(4,631)	(350,555)
– Reclassification adjustment in respect of exchange reserve upon deregistration of a subsidiary	–	–	–	–	–	–	257	–	257	144	401
Total comprehensive loss for the year	–	–	–	–	–	–	(345,667)	(2,429,949)	(2,775,616)	(7,804)	(2,783,420)
Transactions with owners:											
Issue of share capital	122,861	9,829	–	–	–	–	–	–	132,690	–	132,690
Total transactions with owners	122,861	9,829	–	–	–	–	–	–	132,690	–	132,690
Realised upon disposal and resumption of revalued assets	–	–	(22,771)	–	–	–	–	30,361	7,590	–	7,590
Transfer upon expiry of convertible bonds	–	–	–	(290,585)	–	–	–	290,585	–	–	–
Modification of convertible bonds *(note 28)*	–	–	–	972,056	–	–	–	–	972,056	–	972,056
Transfer	–	–	–	–	–	(226)	–	226	–	–	–
At 31 December 2020	890,741	2,849,298*	875,804*	972,056*	15,677*	113,808*	1,781,506*	(13,360,035)*	(5,861,145)	(155,930)	(6,017,075)

Consolidated Statement of Changes in Equity

Year ended 31 December 2020

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

* These reserve accounts comprise the negative reserves of HK$6,751,886,000 (2019: HK$4,965,745,000) in the consolidated statement of financial position.

SHARE PREMIUM

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

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

PROPERTIES REVALUATION RESERVE/CONVERTIBLE BOND RESERVE/ EXCHANGE RESERVE

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

STATUTORY RESERVE FUND

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

OTHER RESERVE

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

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	2020 *HK$'000*	2019 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(2,410,926)**	(1,076,617)
Adjustments for:		
Finance costs	**724,826**	604,076
Bank interest income	**(403)**	(1,000)
(Gain) Loss on disposal of property, plant and equipment, net	**(7,022)**	755
Gain on resumption of the Dihao Properties	**(289,356)**	—
Loss on modification of convertible bonds	**728,190**	—
Loss on deregistration of a subsidiary	**4,928**	—
Amortisation of intangible assets	**—**	3
Amortisation of deferred income	**(7,886)**	(13,857)
Depreciation of property, plant and equipment	**431,763**	479,343
Depreciation of right-of-use assets	**25,165**	25,605
Impairment of property, plant and equipment	**124,883**	—
Write-off of property, plant and equipment	**2,404**	—
Write-back of properties revaluation deficits charged to profit or loss in previous years	**—**	(54,619)
Impairment (Reversal of impairment) of deposits paid for acquisition of property, plant and equipment, net	**15,802**	(113)
Impairment of prepayments, deposits and other receivables, net	**38,060**	13,322
Impairment (Reversal of impairment) of trade and bills receivables, net	**31,068**	(9,701)
Waiver of payables	**(1,286)**	(38,981)
Reversal of write-back of inventories, net	**(5,112)**	(59,700)
Share of loss of a joint venture	**2,332**	1,541
Gain on disposal of right-of-use assets	**—**	(4,334)
Gain on deemed disposal of a subsidiary	**—**	(42,973)
Government compensation for relocation	**—**	(428,409)
Changes in working capital:		
Inventories	**243,447**	424,941
Trade and bills receivables	**112,616**	309,098
Prepayments, deposits and other receivables	**336,639**	253,047
Pledged deposits	**(18,168)**	193,777
Trade and bills payables	**(285,971)**	(569,308)
Other payables and accruals	**171,463**	398,466
Due to an associate	**(281)**	(1,045)
Due to a joint venture	**6,585**	1,640
Cash (used in) generated from operations	**(26,240)**	404,957
Interest received	**403**	1,000
Income taxes paid	**(349)**	(864)
Net cash (used in) generated from operating activities	**(26,186)**	405,093

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Designated FVOCI		**–**	(208)
Purchases of property, plant and equipment		**(16,830)**	(51,203)
Deposits paid for acquisition of property, plant and equipment		**–**	(225)
Proceeds from resumption of the Dihao Properties		**112,360**	–
Proceeds from disposal of property, plant and equipment		**24,566**	5,297
Net cash outflow arising on deregistration of a subsidiary		**(1)**	–
Net cash outflow on deemed disposal of a subsidiary		**–**	(6,131)
Net cash generated from (used in) investing activities		**120,095**	(52,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**132,690**	127,980
Proceeds from new bank and other borrowings		**305,618**	3,572,155
Repayment of bank and other borrowings		**(365,002)**	(3,778,983)
Repayment of lease liabilities		**(3,840)**	(3,839)
Interest paid		**(95,338)**	(374,230)
Net cash used in financing activities		**(25,872)**	(456,917)
Net increase (decrease) in cash and cash equivalents		**68,037**	(104,294)
Cash and cash equivalents at beginning of year		**79,509**	135,033
Effect of foreign exchange rate changes, net		**5,777**	48,770
Cash and cash equivalents at end of year	23	**153,323**	79,509

1. CORPORATE INFORMATION

Global Bio-chem Technology Group Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Group is principally engaged in the manufacture and sale of corn refined products and corn based biochemical products. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2020 (the "**Year**").

2.1 BASIS OF PREPARATION

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

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

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 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$2,433.3 million (2019: approximately HK$1,116.3 million) for the Year and as at 31 December 2020, the Group had net current liabilities of approximately HK$11,117.8 million (31 December 2019: approximately HK$8,877.0 million) and net liabilities of approximately HK$6,017.1 million (31 December 2019: approximately HK$4,346.0 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts (the "**Financial Guarantee Contracts**") as discussed in note 33 to the consolidated financial statements may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

(a) Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position

As disclosed in the joint announcement of the Company and Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**") dated 25 February 2020 and the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**"), subsequent to the completion of the transfer of all the rights and benefits of the loans of the Group which included, among others, the loans of the Group (excluding the GSH Group) in the amount of approximately RMB1.3 billion with the outstanding interest (the "**GBT Indebtedness**"), the loans of the GSH Group in the amount of approximately RMB198.6 million with the outstanding interest (the "**GSH Indebtedness**") and the indebtedness of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") with an aggregate outstanding principal amount of RMB2.49 billion together with the outstanding interest (the "**Dajincang Indebtedness**") guaranteed by certain subsidiaries of the Group and the GSH Group (collectively, the "**Guarantor Subsidiaries**") (collectively, the "**BOC Transferred Loans**") from 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) ("**BOC Jilin Branch**") 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.*) ("**China Cinda**"), the Company continued to explore the next step of the debt restructuring plan with China Cinda. At the same time, the management of the Group endeavoured to facilitate similar arrangement of the BOC Transferred Loans for the outstanding debts owed to other major lending banks.

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

2.2 GOING CONCERN *(Continued)*

(a) Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position *(Continued)*

Furthermore, as announced in a joint announcement of the Company and GSH on 18 January 2021, China Cinda has transferred the BOC Transferred Loans to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"), a company controlled by 長春市人民政府 (The Changchun Municipal Government*) (the "**Local Government**"). After the completion of the transfer of the BOC Transferred Loans to Changchun Rudder, the management of the Group actively discussed with Changchun Rudder and the Local Government on debt restructuring with an aim to achieve a significant improvement of the financial position of the Group. Under the applicable law in the People's Republic of China (the "**PRC**" or "**China**"), the debtors are required to purchase the loans owed by themselves in order to discharge the debts and liabilities owed to them. As such, each of the Group, the GSH Group and Dajincang (collectively, the "**BOC Borrowers**") entered into a repurchase agreement with Changchun Rudder on 26 March 2021 (collectively, the "**Repurchase Agreements"** and each, a "**Repurchase Agreement**"), pursuant to which Changchun Rudder had agreed to sell to each of the BOC Borrowers, and each of the BOC Borrowers had agreed to purchase, all of the rights and benefits of their respective portions of the BOC Transferred Loans. The considerations of the repurchases of the GBT Indebtedness and the GSH Indebtedness amounted to RMB701,490,000 and RMB113,510,000, respectively, which will be financed by the proceeds from the compensation for the resumption of the land and buildings located in Luyuan District, Changchun, the PRC (the "**Relevant Properties**"). As security for their respective payment obligations under the Repurchase Agreements upon receipts of the compensation payment from 長春市綠園區人民政府 (The People's Government of Luyuan District of Changchun City*) (the "**Luyuan Government**"), amongst others, each of the Group and the GSH Group has provided certain land and buildings owned by them respectively as collaterals under a property pledge contract executed in favour of Changchun Rudder on 26 March 2021.

Completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreement entered into between Changchun Rudder and Dajincang, all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GSH dated 26 March 2021 and 31 March 2021.

The Board expected that upon completion of the Repurchase Agreements, the financial position of the Group will improve significantly. The Company will endeavour to facilitate arrangement similar to the Repurchase Agreements for the debt restructuring plan of the ABC Transferred Loans and the CCB Transferred Loans. It is currently expected that the repurchases of the ABC Transferred Loans and the CCB Transferred Loans could be completed by the end of 2021, pending and subject to the internal approval from the respective creditors and relevant local government authorities.

2.2 GOING CONCERN *(Continued)*

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

As detailed in the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**") and the 2020 Interim Report, in respect of the sale and purchase of the Relevant Properties, the Group has received an official document dated 28 April 2018 from the relevant authorities confirming that the Relevant Properties is part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Subsequently, an execution announcement for the redevelopment under the PRC's Slum Redevelopment Policy was also issued on 30 October 2019.

On 30 September 2020, 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), an indirect wholly-owned subsidiary of GSH entered into a compensation agreement with the Luyuan Government, pursuant to which Dihao Foodstuff shall surrender the properties owned by Dihao Foodstuff with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres in Luyuan District (the "**Dihao Properties**") to the Luyuan Government upon the signing of the agreement (the "**Dihao Resumption**"). Dihao Foodstuff is expected to receive a total compensation of approximately RMB443.0 million (equivalent to approximately HK$497.7 million). As at the date of this report, all the compensation in the amount of RMB443.0 million has been received by Dihao Foodstuff. For details of the Dihao Resumption, please refer to the joint announcements made by the Company and GSH on 24 August 2020 and 30 September 2020.

It is expected that resumption of remaining part of the Relevant Properties by the Luyuan Government will be conducted in stages according to the relevant government policy. The Board expects 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 and provide part of the funding for the capital expenditure for the relocation of the Group's production facilities in Changchun.

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

The Group has taken various measures to minimise operating cash outflow and secure financial resources during market turbulence and economic slowdown as a result of, among others, the outbreak of the coronavirus disease ("**COVID-19**"). During the Year, the Group has suspended the production operation of most of the Group's production facilities and consolidated its resources in higher efficiency segments.

2.2 GOING CONCERN *(Continued)*

(d) Financial support from the indirect major shareholder

The Group has received a renewed written confirmation dated 30 March 2021 from 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.) ("**Nongtou**", together with its subsidiaries, the "**Nongtou Group**") that it would continue to provide financial support to the Group in the following 24 months on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group has secured the supply of corn kernels through the execution of corn purchasing contract with the Nongtou Group during the Year to ensure a sufficient supply of corn kernels when the Group's operation resumes. During the Year, the Group purchased approximately 11,000 MT of corn kernels from the subsidiaries of Nongtou which aggregately accounted for approximately 21.2% of total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value as at 31 December 2020 amounted to approximately RMB2,347.4 million (31 December 2019: approximately RMB2,102.0 million). It is tasked to consolidate the state-owned investments in the agricultural sector in the Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group, provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group.

(e) Introducing potential investors to the Company

The management of the Company has also actively negotiated with a number of potential investors to inject capital to the Company. As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with HK Bloom Investment Limited ("**HK Bloom**" or the "**Subscriber**"), a company established under the British Virgin Islands laws with limited liability, respectively, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new shares (the "**First Subscription Shares**") at the subscription price of HK$0.10 per First Subscription Share (the "**First Subscription**") and an aggregate of 1,228,607,685 new shares (the "**Second Subscription Shares**") at the subscription price of HK$0.1080 per Second Subscription Share (the "**Second Subscription**"). As a result of the completions of the First Subscription on 20 August 2019 (the "**First Subscription Completion**") and the Second Subscription on 29 April 2020 (the "**Second Subscription Completion**"), the net proceeds from the First Subscription and the Second Subscription in the amounts of approximately HK$127,900,000 and HK$132,000,000 respectively have been fully utilised as general working capital 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 2019 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 HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	COVID-19-Related Rent Concessions

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

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

Amendments to HKAS 39, HKFRSs 7 and 9: Interest Rate Benchmark Reform – Phase 1

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform (the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark). In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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 HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

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

Amendments to HKFRS 16: COVID-19-Related Rent Concessions

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 2021. The amendments do not affect lessors.

The adoption of the amendments 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 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 [1]
Amendments to HKAS 16	Proceeds before Intended Use [2]
Amendments to HKAS 37	Cost of Fulfilling a Contract [2]
Amendments to HKFRS 3	Reference to the Conceptual Framework [2]
Annual Improvements to HKFRSs	2018-2020 Cycle [2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [4]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] The effective date to be determined

Except for the amendments to HKFRS 3, the 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.

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

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.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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.

Subsidiaries

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

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

Associate and joint venture

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group reassesses whether it has joint control of an arrangement and whether the type of joint arrangement in which it is involved has changed, if facts and circumstances change.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associate and joint venture *(Continued)*

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

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

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

Business combinations and goodwill

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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.

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 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 CGU to which the asset belongs.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

 (ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

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

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

Research and development costs

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

Golf club membership

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Trademarks

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

Leases

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

As lessee

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

Land	11-52 years
Office premises	3 years

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

A lease modification is accounted for as a separate lease if

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets

Recognition and derecognition

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

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

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

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

Classification and measurement

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets measured at amortised cost

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

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

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

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

Designated FVOCI

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities

Recognition and derecognition

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

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

Classification and measurement

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

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

Financial guarantee contracts

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets and other items

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

Measurement of ECL

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

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

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

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

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

(i) past due information

(ii) nature of instrument

(iii) nature of collateral, if any

(iv) industry of debtors

(v) geographical location of debtors

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Definition of default

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

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

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

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

Assessment of significant increase in credit risk

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Low credit risk

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

(i) it has a low risk of default;

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

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

Simplified approach of ECL

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

Credit-impaired financial asset

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Write-off

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

Convertible bond

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

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

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

Inventories

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Government grants

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

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

Identification of performance obligations

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

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

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

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

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

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

Timing of revenue recognition

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

Timing of revenue recognition (Continued)

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

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

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

Transaction price: significant financing components

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

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

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

Interest income

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets and contract liabilities

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

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

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

Contract costs

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract costs *(Continued)*

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

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

Borrowing costs

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

Dividends

Final dividends proposed by the directors 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.

Employee benefits

Short term employee benefits

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefits

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

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

Foreign currencies

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

Deferred tax liability for withholding taxes

The Group determines that no dividends are to be distributed by the PRC subsidiaries to the Company or any subsidiary outside the PRC in the foreseeable future. Therefore, no deferred tax liability for withholding taxes has been recognised in these consolidated financial statements. Please refer to note 30 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:

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumptions and inputs used in estimating ECL are set out in note 36 to the consolidated financial statements.

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

Write-down of inventories

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

Income taxes

At 31 December 2020, a deferred tax asset of approximately HK$417.5 million (2019: HK$315.7 million) in relation to deductible temporary difference and tax losses was recognised in the consolidated statement of financial position to the extent of the recognised taxable temporary difference. No deferred tax asset has been recognised on the remaining tax losses of approximately HK$6,854.9 million (2019: HK$6,475.6 million) and the remaining deductible temporary difference of approximately HK$3,472.0 million (2019: HK$2,820.1 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 four (2019: four) reportable operating segments as follows:

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *Continued)*

(a) Segment results

Year ended 31 December 2020

	Upstream products HK$'000	Amino acids HK$'000	Corn sweeteners HK$'000	Polyol chemicals HK$'000	Elimination HK$'000	Total HK$'000
Revenue from:						
External customers	248,620	36,570	558,094	5,583	–	848,867
Intersegment	10,832	5,317	–	651	(16,800)	–
Revenue	259,452	41,887	558,094	6,234	(16,800)	848,867
Segment results	(554,679)	(433,801)	202,509	(88,422)	–	(874,393)
Bank interest income						403
Unallocated income						39,965
Unallocated expenses						(121,553)
Loss on modification of convertible bonds						(728,190)
Share of loss of a joint venture						(2,332)
Finance costs						(724,826)
Loss before tax						(2,410,926)
Income tax expenses						(22,340)
Loss for the year						(2,433,266)

Year ended 31 December 2019

	Upstream products HK$'000	Amino acids HK$'000	Corn sweeteners HK$'000	Polyol chemicals HK$'000	Elimination HK$'000	Total HK$'000
Revenue from:						
External customers	2,626,291	991,591	918,390	25,119	–	4,561,391
Intersegment	84,879	–	–	2,372	(87,251)	–
Revenue	2,711,170	991,591	918,390	27,491	(87,251)	4,561,391
Segment results	(504,286)	(355,700)	(66,097)	(3,307)	–	(929,390)
Bank interest income						1,000
Unallocated income						546,584
Unallocated expenses						(89,194)
Share of loss of a joint venture						(1,541)
Finance costs						(604,076)
Loss before tax						(1,076,617)
Income tax expenses						(39,717)
Loss for the year						(1,116,334)

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other segment information

Year ended 31 December 2020

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Capital expenditure	21,754	1,577	7,053	685	31,069
Depreciation of property, plant and equipment	196,286	184,362	40,907	10,208	431,763
Depreciation of right-of-use assets (a)	9,725	7,893	3,212	671	21,501
(Gain) Loss on disposal of property, plant and equipment, net	(11,501)	–	4,479	–	(7,022)
Gain on resumption of the Dihao Properties	–	–	(289,356)	–	(289,356)
Write-down (Reversal of write-down) of inventories, net	3,428	(7,213)	(2,586)	1,259	(5,112)
Impairment of property, plant and equipment	26,679	98,204	–	–	124,883
Write-off of property, plant and equipment	–	–	2,404	–	2,404
Impairment of deposits paid for acquisition of property, plant and equipment, net	15,802	–	–	–	15,802
Impairment (Reversal of impairment) of trade and bills receivables, net	19,327	12,517	23	(799)	31,068
Impairment of prepayments, deposits and other receivables, net	31,381	2,257	3,852	570	38,060
Waiver of payables	(1,286)	–	–	–	(1,286)

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other segment information *(Continued)*

Year ended 31 December 2019

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

Remark:

(a) Depreciation of right-of-use assets that was not attributable to any of the above segments which amounted to HK$3,664,000 (2019: HK$3,664,000) was included in unallocated expenses.

(c) Geographical information

Revenue information based on locations of customers

	2020 ***HK$'000***	2019 *HK$'000*
The PRC	**810,306**	3,955,273
Asia, the Americas and other regions	**38,561**	606,118
	848,867	4,561,391

4. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Geographical information *(Continued)*

Non-current assets information based on locations of assets

	2020 HK$'000	2019 HK$'000
The PRC	**6,355,236**	6,771,670
Hong Kong	**2,139**	5,802
	6,357,375	6,777,472

(d) Information about major customers

No revenue from any external customer individually accounted for 10% or more of the Group's revenue for the Year (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	**848,867**	4,561,391

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	Notes	2020 HK$'000	2019 HK$'000
Other income and gains			
Amortisation of deferred income	29	**7,886**	13,857
Bank interest income		**403**	1,000
Government grants (b)		**31,334**	37,170
Gain on disposal of property, plant and equipment, net		**7,022**	—
Gain on resumption of the Dihao Properties	13	**289,356**	—
Foreign exchange gain, net		**13,888**	—
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net		**—**	113
Reversal of write-down of inventories, net		**—**	19,896
Reversal of impairment of trade and bills receivables, net		**—**	9,701
Gain on disposal of right-of-use assets		**—**	4,334
Gain on deemed disposal of a subsidiary		**—**	42,973
Waiver of payables		**1,286**	38,981
Government compensation for relocation		**—**	428,409
Write-back of properties revaluation deficits charged to profit or loss in previous years		**—**	54,619
Net profit arising from supplying utilities services		**—**	8,853
Subcontracting income		**20,382**	227
Others		**18,191**	24,242
		389,748	684,375

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$132,926,000 (2019: HK$177,179,000).

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

6. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank and other borrowings	**484,066**	376,262
Finance costs for discounted bills receivables	**558**	4,106
Interest on financial guarantees given by Nongtou	**19,643**	20,115
Interest on payables to suppliers	**161,178**	140,893
Imputed interest on convertible bonds	**59,241**	62,475
Interest on lease liabilities	**140**	225
	724,826	604,076

7. LOSS BEFORE TAX

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

	2020 HK$'000	2019 HK$'000
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**223,034**	292,324
Pension scheme contributions (a)	**53,852**	68,072
	276,886	360,396
Cost of inventories sold (b)	**774,749**	4,338,229
Depreciation of property, plant and equipment	**431,763**	479,343
Depreciation of right-of-use assets	**25,165**	25,605
Amortisation of intangible assets	**—**	3
Amortisation of deferred income	**(7,886)**	(13,857)
Auditor's remuneration	**5,500**	5,500
Impairment of property, plant and equipment	**124,883**	—
Write-off of property, plant and equipment	**2,404**	—
Impairment (Reversal of impairment) of deposits paid for acquisition of property, plant and equipment, net	**15,802**	(113)
Impairment of prepayments, deposits and other receivables, net	**38,060**	13,322
Research and development costs	**14,786**	17,625
Impairment (Reversal of impairment) of trade and bills receivables, net	**31,068**	(9,701)
(Gain) Loss on disposal of property, plant and equipment, net	**(7,022)**	755
Gain on resumption of the Dihao Properties	**(289,356)**	—
Foreign exchange difference, net	**(13,888)**	6,976
Gain on deemed disposal of a subsidiary	**—**	(42,973)
Gain on disposal of right-of-use assets	**—**	(4,334)
Reversal of write-down of inventories, net (c)	**(5,112)**	(59,700)
Government compensation for relocation	**—**	(428,409)
Write-back of properties revaluation deficits charged to profit or loss in previous years	**—**	(54,619)
Loss on deregistration of a subsidiary	**4,928**	—

Remarks:

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

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

(c) Reversal of write-down of inventories comprised write-down of inventories included in other expenses of HK$5,104,000 (2019: reversal of write-down of inventories included in other income of HK$19,896,000) and reversal of write-down of inventories included in cost of sales of HK$10,216,000 (2019: HK$39,804,000).

8. DIRECTORS' REMUNERATION

	2020			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Yuan Weisen[(a)]	–	–	–	–
Mr. Zhang Zihua	–	–	–	–
Mr. Liu Shuhang	810	–	176	986
Non-executive directors				
Mr. Gao Dongsheng[(b)]	–	–	–	–
Ms. Liang Wanpeng[(c)]	–	–	–	–
	810	–	176	986
Independent non-executive directors				
Ms. Dong Hongxia[(b)]	64	–	–	64
Mr. Ng Kwok Pong	240	–	–	240
Mr. Yeung Kit Lam	240	–	–	240
Mr. Zhao Jin [(c)]	67	–	–	67
	611	–	–	611

8. DIRECTORS' REMUNERATION *(Continued)*

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

Remarks:

(a) Mr. Yuan Weisen resigned as the chairman and an executive director of the Company on 9 February 2021.

(b) Mr. Gao Dongsheng and Ms. Dong Hongxia were appointed on 30 June 2020 as a non-executive director and an independent non-executive director of the Company respectively.

(c) Ms. Liang Wanpeng and Mr. Zhao Jin resigned on 30 June 2020 as a non-executive director and an independent non-executive director of the Company respectively.

No emolument was paid or payable by the Group to any of the directors of the Company as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived or agreed to waive any emoluments during the years ended 31 December 2020 and 2019.

9. FIVE HIGHEST PAID EMPLOYEES

One (2019: One) of the five highest paid employees during the Year is a director of the Company, details of his remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2019: four) highest paid employees who are neither a director of the Company are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Salaries, allowances and benefits in kind	**3,807**	3,434
Pension scheme contributions	**200**	69
	4,007	3,503

The highest paid employees fell within the following bands:

	2020 ***Number of individuals***	2019 *Number of individuals*
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**2**	2
	4	4

No emolument was paid or payable by the Group to any of the highest paid non-director employees as inducement to join or upon joining the Group or as compensation for loss of office. The highest paid non-director employees did not waive any emoluments during the years ended 31 December 2020 and 2019.

10. INCOME TAX EXPENSES

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Year (2019: Nil). No provision for the PRC enterprise income tax has been made as the subsidiaries operating in the PRC incurred a loss for the Year (2019: The PRC enterprise income tax has been provided at the rate of 25% on the estimated assessable profits of subsidiaries operating in the PRC).

	2020 *HK$'000*	2019 *HK$'000*
Current tax		
The PRC enterprise income tax	–	478
	–	478
Deferred tax		
Origination and reversal of temporary differences, net	**22,340**	39,239
Income tax expenses	**22,340**	39,717

Reconciliation of income tax expenses

	2020 *HK$'000*	2019 *HK$'000*
Loss before tax	**(2,410,926)**	(1,076,617)
Income tax at applicable tax rate	**(347,967)**	(229,822)
Non-deductible expenses	**55,855**	32,205
Tax-exempt income	**(25,619)**	(54,748)
Unrecognised temporary difference	**286,456**	8,352
Unrecognised tax losses	**77,509**	303,936
Utilisation of previously unrecognised tax losses	**(43,515)**	–
Recognition of previously unrecognised deferred taxes and reversal of deferred taxes	**19,621**	(20,206)
Income tax expenses	**22,340**	39,717

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

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the Year (2019: 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$2,429,949,000 (2019: HK$1,067,819,000), and the weighted average number of ordinary shares in issue during the Year of 8,507,940,377 (2019: 6,868,842,623) shares.

As the assumed conversion of the convertible bonds has an anti-dilutive effect, the diluted loss per share was equal to the basic loss per share for the years ended 31 December 2020 and 2019.

13. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount — Year ended 31 December 2020	**Leasehold buildings** *HK$'000*	**Plant and machinery** *HK$'000*	**Leasehold improvement, furniture, equipment and motor vehicles** *HK$'000*	**Construction in-progress** *HK$'000*	**Total** *HK$'000*
At 1 January 2020	**4,816,573**	**914,102**	**14,837**	**406,025**	**6,151,537**
Additions	**158**	**5,566**	**3,213**	**22,132**	**31,069**
Transfer	**—**	**2,315**	**—**	**(2,315)**	**—**
Disposals	**(11,308)**	**(34)**	**(1,165)**	**(5,037)**	**(17,544)**
Resumption	**(104,871)**	**—**	**—**	**(39,214)**	**(144,085)**
Impairment losses	**—**	**(124,883)**	**—**	**—**	**(124,883)**
Write-off	**—**	**(2,404)**	**—**	**—**	**(2,404)**
Depreciation	**(228,488)**	**(199,772)**	**(3,503)**	**—**	**(431,763)**
Exchange realignment	**266,820**	**37,207**	**1,306**	**30,074**	**335,407**
At 31 December 2020	**4,738,884**	**632,097**	**14,688**	**411,665**	**5,797,334**
Reconciliation of carrying amount — Year ended 31 December 2019					
At 1 January 2019	4,959,629	1,129,058	14,242	393,101	6,496,030
Additions	528	23,372	5,596	26,961	56,457
Transfer	443	4,486	275	(5,204)	—
Disposals	(123)	(4,948)	(961)	(20)	(6,052)
Deemed disposal of a subsidiary	(4,892)	(9,309)	—	—	(14,201)
Gain on properties revaluation, net	211,932	—	—	—	211,932
Depreciation	(264,732)	(210,634)	(3,977)	—	(479,343)
Exchange realignment	(86,212)	(17,923)	(338)	(8,813)	(113,286)
At 31 December 2019	4,816,573	914,102	14,837	406,025	6,151,537

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

	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvement, furniture, equipment and motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 31 December 2020					
At cost	**–**	**9,918,748**	**183,272**	**585,377**	**10,687,397**
At valuation	**4,898,408**	**–**	**–**	**–**	**4,898,408**
Accumulated depreciation and impairment losses	**(159,524)**	**(9,286,651)**	**(168,584)**	**(173,712)**	**(9,788,471)**
	4,738,884	**632,097**	**14,688**	**411,665**	**5,797,334**
At 31 December 2019					
At cost	–	9,330,021	176,670	568,157	10,074,848
At valuation	4,816,573	–	–	–	4,816,573
Accumulated depreciation and impairment losses	–	(8,415,919)	(161,833)	(162,132)	(8,739,884)
	4,816,573	914,102	14,837	406,025	6,151,537

Leasehold buildings

At 31 December 2020, the Group has not obtained building certificates for certain leasehold buildings with a total carrying amount of HK$1,975,921,000 (2019: HK$1,933,066,000).

Had the Group's leasehold buildings been carried under the cost model, their carrying amount at 31 December 2020 would have been approximately HK$4,018,035,000 (2019: HK$3,996,619,000).

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

The directors 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 2020. Therefore, no revaluation was performed at that date.

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

Leasehold buildings *(Continued)*

Valuation processes

The Group reviews the estimation of fair value of the leasehold buildings at the end of each reporting period. Valuation of leasehold buildings is normally performed by an independent professional valuer on a bi-annual basis, unless the directors 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 31 December 2019 using			
	Quoted prices in active market (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Recurring fair value measurement for:				
Industrial properties	–	–	4,793,462	4,793,462
Residential properties	–	1,222	21,889	23,111
	–	1,222	4,815,351	4,816,573

During the years ended 31 December 2020 and 2019, 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)*

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

	2020 *HK$'000*	2019 *HK$'000*
At 1 January	**4,815,351**	4,958,696
Additions and transfer from construction in-progress	**158**	971
Gain on properties revaluation, net	**—**	211,659
Depreciation	**(228,414)**	(264,666)
Disposals	**(11,308)**	(123)
Resumption	**(104,871)**	—
Deemed disposal of a subsidiary	**—**	(4,892)
Exchange realignment	**266,658**	(86,294)
At 31 December	**4,737,574**	4,815,351

The gain on properties revaluation for the year ended 31 December 2019 represented the total gain for that year included in other comprehensive income and profit or loss for leasehold buildings held at 31 December 2019.

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 31 December 2019 that were categorised as Level 3 fair value measurements:

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

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

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

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

Leasehold buildings *(Continued)*

Resumption of the Dihao Properties

On 30 September 2020, Dihao Foodstuff entered into a compensation agreement with the Luyuan Government, pursuant to which Dihao Foodstuff shall surrender the Dihao Properties to the Luyuan Government upon the signing of the agreement and Dihao Foodstuff will receive a total compensation of approximately RMB443.0 million (equivalent to approximately HK$497.7 million). The properties were surrendered to the Luyuan Government and compensation amount of RMB443.0 million has been received by Dihao Foodstuff as at the date of this report.

Details of the Dihao Resumption are set out as follows:

	Note	HK$'000
Compensation received or receivable		497,737
Less:		
Carrying amount of the Dihao Properties surrendered:		
— Leasehold Land	14	(61,030)
— Property, plant and equipment		(144,085)
		(205,115)
Other relocation costs		(3,266)
		(208,381)
Gain on resumption of the Dihao Properties		(289,356)

Impairment assessment

During the Year, certain susbsidiaires operating in Changchun and Harbin have been severely affected by the outbreaks of COVID-19 and/or the Afrian Swine Fever, which indicates that the property, plant and equipment of these subsidiaries may have impaired. The directors of the Company have therefore performed an impairment assessment on the property, plant and equipment of these subsidiaries at 31 December 2020, except for leashold buildings which were stated at revalued amounts, based on a valuation performed by Savills Valuation and Professional Services Limited, an independent professionally qualified valuer.

The estimates of the recoverable amount, which amounted to HK$274,269,000, were based on the assets' fair value less cost of disposal, using the market approach or where no second hand prices are available, the cost approach. The fair value on which the recoverable amount is based is categorised as Level 3 fair value measurements. As a result of the impairment assessment, an impairment loss of HK$124,883,000 was recognised in profit or loss during the Year.

14. RIGHT-OF-USE ASSETS

	Note	Land HK$'000	Office premises HK$'000	Total HK$'000
Reconciliation of carrying amount – Year ended 31 December 2020				
At 1 January 2020		**557,879**	**5,803**	**563,682**
Resumption	13	**(61,030)**	**–**	**(61,030)**
Depreciation		**(21,501)**	**(3,664)**	**(25,165)**
Exchange realignment		**33,595**	**–**	**33,595**
At 31 December 2020		**508,943**	**2,139**	**511,082**
Reconciliation of carrying amount – Year ended 31 December 2019				
At 1 January 2019		595,118	9,467	604,585
Deemed disposal of a subsidiary		(3,584)	–	(3,584)
Depreciation		(21,941)	(3,664)	(25,605)
Exchange realignment		(11,714)	–	(11,714)
At 31 December 2019		557,879	5,803	563,682
At 31 December 2020				
Cost		**819,757**	**10,993**	**830,750**
Accumulated depreciation		**(310,814)**	**(8,854)**	**(319,668)**
		508,943	**2,139**	**511,082**
At 31 December 2019				
Cost		849,156	10,993	860,149
Accumulated depreciation		(291,277)	(5,190)	(296,467)
		557,879	5,803	563,682

The leasehold land is granted with remaining lease terms ranging from 10 to 51 years and is situated in the PRC.

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

Restrictions or covenants:

For lease of office premise, the lease imposes a restriction that, unless approval is obtained from the lessor, the premise can only be used by the Group and the Group is prohibited from selling or pledging the underlying premise. 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.

15. INTANGIBLE ASSETS

	Golf club membership *HK$'000*	Trademarks *HK$'000*	Total *HK$'000*
Reconciliation of carrying amount — Years ended 31 December 2019 and 31 December 2020			
At 31 December 2019, 1 January 2020 and **31 December 2020**	**3,751**	**—**	**3,751**
Reconciliation of carrying amount — Year ended 31 December 2019			
At 1 January 2019	3,745	61	3,806
Amortisation	—	(3)	(3)
Deemed disposal of a subsidiary	—	(52)	(52)
Exchange realignment	6	(6)	—
At 31 December 2019	3,751	—	3,751
At 31 December 2020			
Cost	**5,290**	**—**	**5,290**
Accumulated amortisation and impairment losses	**(1,539)**	**—**	**(1,539)**
	3,751	**—**	**3,751**
At 31 December 2019			
Cost	5,290	—	5,290
Accumulated amortisation and impairment losses	(1,539)	—	(1,539)
	3,751	—	3,751

16. SUBSIDIARIES

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

Name of subsidiary	Principal place of business and place of incorporation/ registration	Particulars of registered/paid-up capital	Proportion of ownership interests held by the Group	Principal activities
GSH	Cayman Islands	HK$152,758,600	64	Investment holding
Changchun Dihao Foodstuff Development Co., Ltd.#	The PRC	Registered capital: RMB725,100,000/ Paid-up capital: RMB307,574,472	64	Manufacture and sale of corn sweeteners
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.#	The PRC	US$62,504,000	64	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd.#	The PRC	US$7,770,000	64	Manufacture and sale of corn sweeteners
Shanghai Haocheng Foods Development Co., Ltd.#	The PRC	US$9,668,000	64	Manufacture and sale of corn sweeteners
Harbin Dacheng Biological Technology Co., Ltd.#	The PRC	RMB303,000,000	100	Manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products
Changchun Dacheng Industrial Group Co., Ltd.#	The PRC	RMB193,000,000	100	Investment holding
Changchun Baocheng Bio-chem Development Co., Ltd.#	The PRC	US$49,227,952	100	Manufacture and sale of corn based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd.#	The PRC	Registered capital: US$168,450,000/ Paid-up capital: US$140,409,000	100	Manufacture and sale of corn based biochemical products
Changchun Dacheng Biology Technology Development Co., Ltd.#	The PRC	RMB2,066,150,000	100	Manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products
Changchun Dacheng Industrial Group Huicheng International Co., Ltd.#	The PRC	RMB20,000,000	100	Sale of corn based biochemical products

Wholly foreign-owned enterprise

The above subsidiaries are indirectly held by the Company. The above table lists the subsidiaries of the Company which, in the opinion of the directors 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.

16. SUBSIDIARIES *(Continued)*

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

	GSH Group	
	2020	2019
	HK$'000	*HK$'000*
Percentage of equity interest held by NCI	**36%**	36%
Revenue, other income and gains	**1,078,153**	1,975,191
Costs and expenses	**(1,068,667)**	(2,155,165)
Income tax (expenses) credit	**(18,212)**	17,404
Loss for the year	**(8,726)**	(162,570)
Other comprehensive (loss) income	**(11,696)**	64,565
Total comprehensive loss for the year	**(20,422)**	(98,005)
Loss for the year attributable to NCI	**(3,141)**	(58,525)
Total comprehensive loss for the year attributable to NCI	**(7,352)**	(35,282)
Dividends paid to NCI	**–**	–
Current assets	**611,806**	459,571
Non-current assets	**692,718**	939,403
Current liabilities	**(1,496,900)**	(1,570,867)
Non-current liabilities	**(232,482)**	(239,518)
Net liabilities	**(424,858)**	(411,411)
Carrying amount of NCI	**(152,949)**	(148,108)
Net cash flows (used in) from:		
Operating activities	**(20,198)**	21,574
Investing activities	**104,337**	(18,549)
Financing activities	**(94,612)**	8,165

17. INTERESTS IN AN ASSOCIATE

Interests in the associate represents 40% (2019: 40%) of the registered and paid-in capital of Changchun Dacheng Hexin Technology Development Co., Ltd. ("**Dacheng Hexin**"), a company incorporated in the PRC. It is principally engaged in the manufacture and sale of botanical straw based sweetener products in the PRC.

The Group has discontinued the recognition of its share of losses of Dacheng Hexin when applying the equity method because the share of losses of Dacheng Hexin exceeded the Group's interests in Dacheng Hexin and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of Dacheng Hexin for the current year and cumulatively were HK$1,074,000 (2019: HK$980,000) and HK$8,531,000 (2019: HK$7,457,000) respectively.

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

	2020 ***HK$'000***	2019 *HK$'000*
Gross amounts:		
Current assets	**9,384**	8,743
Non-current assets	**57,724**	53,876
Current liabilities	**(87,516)**	(81,408)
Net liabilities	**(20,408)**	(18,789)

	2020 ***HK$'000***	2019 *HK$'000*
Gross amounts:		
Revenue	**—**	—
Loss and total comprehensive loss	**(2,685)**	(2,451)

18. INTERESTS IN A JOINT VENTURE

	2020 ***HK$'000***	2019 *HK$'000*
Goodwill	**12,115**	12,115
Share of net liabilities	**(7,988)**	(5,656)
Unrealised portion of the gain on disposal of a parcel of land	**(2,123)**	(2,123)
	2,004	4,336

Interests in the joint venture represents 43.5% of the registered and paid-in capital of Changchun Wanxiang Corn Oil Co., Ltd. ("**Wanxiang**"), a company incorporated in the PRC. It is principally engaged in the manufacture and sale of corn oil products in the PRC. Although a majority of board members of Wanxiang shall be nominated by the Group, the decision of certain key matters shall be approved by both the Group and the other owner of Wanxiang. Therefore, Wanxiang is considered a joint venture of the Group.

18. INTERESTS IN A JOINT VENTURE *(Continued)*

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

	2020 HK$'000	2019 HK$'000
Gross amounts:		
Current assets	**4,744**	6,478
Non-current assets	**35,509**	33,014
Current liabilities	**(58,616)**	(52,494)
Net liabilities	**(18,363)**	(13,002)
Included in above:		
Cash and cash equivalents	**45**	102
Financial liabilities (excluding trade and other payables and provisions)	**(48,728)**	(53,810)
Reconciliation:		
Gross amount of equity	**(18,363)**	(13,002)
Group's ownership interests	**43.5%**	43.5%
Group's share of net liabilities	**(7,988)**	(5,656)
Goodwill	**12,115**	12,115
Unrealised portion of the gain on disposal of a parcel of land	**(2,123)**	(2,123)
Carrying amount of interests	**2,004**	4,336

	2020 HK$'000	2019 HK$'000
Gross amounts:		
Revenue	**4,553**	1,392
Loss and total comprehensive loss	**(5,360)**	(3,542)
Included in above:		
Depreciation and amortisation	**(3,537)**	(2,725)
Interest income	**—**	4
Interest expense	**—**	(1,254)
Group's share of loss of a joint venture	**(2,332)**	(1,541)

19. DESIGNATED FVOCI

	2020	2019
	HK$'000	*HK$'000*
Unlisted equity securities, at fair value	**208**	208

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

20. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw materials	**122,832**	210,092
Finished goods	**20,535**	159,404
	143,367	369,496

21. TRADE AND BILLS RECEIVABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade receivables	**573,288**	648,479
Bills receivables	**595**	2,907
	573,883	651,386
Loss allowance	**(439,117)**	(383,516)
	134,766	267,870

The Group normally allows credit terms of 30 to 90 days (2019: 30 to 90 days) to established customers. An ageing analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date, is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Within 1 month	**94,662**	176,294
1 to 2 months	**23,275**	46,925
2 to 3 months	**6,556**	9,760
3 to 6 months	**8,617**	14,214
Over 6 months	**1,656**	20,677
	134,766	267,870

Information about the Group's exposure to credit risks and loss allowance for trade and bills receivables is included in note 36 to the consolidated financial statements.

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

Trade and bills receivables are non-interest-bearing. At the end of the reporting period, the Group had no significant concentration of credit risk while the total trade and bills receivables due from the Group's largest customer and the five largest customers are 7.6% (2019: 11.0%) and 22.9% (2019: 33.0%), respectively.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 *HK$'000*	2019 *HK$'000*
Prepayments	**32,809**	57,762
Deposits and other debtors	**95,494**	93,198
PRC value-added tax ("**VAT**") and other tax receivables	**103,441**	106,316
Receivables from disposal of assets (a)	**140,617**	464,576
Receivables from resumption of the Dihao Properties	**408,316**	—
	780,677	721,852

Remark:

(a) Included in the receivables from disposal of assets was the remaining consideration receivable from the Changchun Land Reserve Centre in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land located in Luyuan District in Changchun during the year ended 31 December 2014, which amounted to HK$119,048,000 (2019: HK$444,444,000) at 31 December 2020. On 25 July 2019, the Changchun Land Reserve Centre and the potential purchaser, a municipal government-owned enterprise (the "**Potential Purchaser**") entered into a transfer agreement pursuant to which the Changchun Land Reserve Centre agreed to transfer and the Potential Purchaser agreed to take up the rights and obligations in relation to the receivable.

23. CASH AND CASH EQUIVALENTS

	2020 *HK$'000*	2019 *HK$'000*
Cash and bank balances	**153,323**	79,509
Pledged bank deposits	**29,874**	9,916
	183,197	89,425
Less: pledged bank deposits for issuance of bills payables	**(29,874)**	(9,916)
	153,323	79,509

At the end of the reporting period, the cash and bank balances and pledged bank deposits of the Group denominated in Renminbi amounted to HK$156,279,000 (2019: HK$44,361,000). Renminbi held by subsidiaries in the PRC is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

23. CASH AND CASH EQUIVALENTS *(Continued)*

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

24. TRADE AND BILLS PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables		
— To third parties (a)	**991,094**	1,174,565
— To the Nongtou Group (b)	**343,055**	372,467
	1,334,149	1,547,032
Bills payables	**23,810**	4,444
	1,357,959	1,551,476

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

Remarks:

(a) At 31 December 2019, the trade payables to third parties included a balance payable to a state-owned supplier (the "**State-owned Supplier**") of approximately HK$66.8 million, which was unsecured and interest-bearing at 8.0% to 9.0% per annum after the lapse of the credit periods. During the Year, a one-off interest of approximately HK$12.5 million charged at a rate of 14.7% has been charged by the State-owned Supplier for the 2019 and 2018 outstanding balances.

In addition, during the Year, Nongtou acquired 100% equity interest of the State-owned Supplier and the corresponding balance payable was disclosed in trade payables to the Nongtou Group at 31 December 2020.

(b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 7.2% to 12.0% per annum (2019: 7.2% to 12.0% per annum) after the lapse of the credit periods.

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

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**44,092**	319,900
1 to 2 months	**19,021**	113,490
2 to 3 months	**7,412**	32,609
Over 3 months	**1,287,434**	1,085,477
	1,357,959	1,551,476

25. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accruals for employee benefits	**416,656**	274,352
Payables for purchases of machinery	**126,825**	123,518
Receipts in advance (a)	**114,377**	131,449
Payables to the Nongtou Group (b)	**713,766**	559,850
VAT and other duties payables	**196,008**	133,098
Accruals and other creditors (c)	**1,395,213**	825,299
	2,962,845	2,047,566

Remarks:

(a) The balance represents the contract liabilities from contracts with customers within HKFRS 15 at the end of the reporting period and the movements (excluding those arising from increases and decreases both occurred within the same year) of the contract liabilities during the years are as follows:

	2020 HK$'000	2019 HK$'000
At 1 January	**131,449**	177,179
Recognised as revenue	**(132,926)**	(177,179)
Receipt of advances or recognition of receivables	**114,377**	131,449
Exchange realignment	**1,477**	—
At 31 December	**114,377**	131,449

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that were unsatisfied (or partially unsatisfied) at 31 December 2020 are parts of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

(b) The payables represent advances from the subsidiaries of Nongtou which are unsecured, interest-bearing at 7.2% to 12.0% per annum (2019: 7.2% to 12.0% per annum) and are repayable on demand and guarantee charge payables to Nongtou which bear interest at 3.5% per annum (2019: 3.5% per annum).

(c) At 31 December 2019, accruals and other creditors included payables to the State-owned Supplier amounting to approximately HK$25,470,000 which were unsecured, interest-bearing at 8.0% to 12.0% per annum after the lapse of the credit periods and repayable on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020 Effective interest rate %	2020 Maturity	2020 *HK$'000*	2019 Effective interest rate %	2019 Maturity	2019 *HK$'000*
Current						
Short term bank borrowings – secured	**5.9%-8.0%**	**On demand/ 2021**	**1,562,049**	3.9%-8.0%	On demand/ 2020	3,018,445
Short term bank borrowings –unsecured	**6.8%-10.0%**	**On demand/ 2021**	**861,786**	4.3%-10.0%	2020	836,556
Other borrowings – secured	**5.5%-6.6%**	**On demand**	**3,940,390**	3.9%	On demand	1,651,667
Other borrowings – unsecured (a)	**5.7%-13.6%**	**On demand**	**1,560,893**	12.0%-13.6%	On demand	76,669
			7,925,118			5,583,337
Non-current						
Bank borrowings – secured	**7.0%**	**2022-2023**	**184,524**	4.3%	2021	644,444
Bank borrowings – unsecured			**–**	4.3%	2021	1,400,000
			184,524			2,044,444
			8,109,642			7,627,781

Analysed into:	**2020** ***HK$'000***	2019 *HK$'000*
Bank borrowings repayable:		
Within one year or on demand	**2,423,835**	3,855,001
In the second year	**4,762**	2,044,444
In the third to fifth years	**179,762**	—
	2,608,359	5,899,445
Other borrowings repayable:		
Within one year or on demand	**5,501,283**	1,728,336
	5,501,283	1,728,336
	8,109,642	7,627,781
Secured	**5,686,963**	5,314,556
Unsecured	**2,422,679**	2,313,225
	8,109,642	7,627,781

Remark:

(a) As at 31 December 2020, the balance included the other borrowings from the subsidiaries of Nongtou amounted to HK$60.9 million which are unsecured, interest-bearing at 13.6% per annum and are repayable on demand. As at 31 December 2019, the balance represents other borrowings from the subsidiaries of Nongtou and the State-owned Supplier which are unsecured, interest-bearing at 12.0% to 13.6% per annum and repayable on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2020 **HK$'000**	2019 HK$'000
Additional information		
Collaterals pledged for security:		
Property, plant and equipment	**2,053,905**	2,301,172
Receivables from disposal of assets	**119,048**	444,444
Right-of-use-assets	**118,497**	105,888
Corporate guarantee by:		
The Company	**6,624,615**	6,187,474
Certain subsidiaries	**516,992**	513,637
Nongtou	**594,048**	555,556
A subsidiary and independent third parties (joint guarantee)	**59,524**	55,556
Denominated in Renminbi	**8,109,642**	7,627,781

Certain of the banking facilities are subject to the fulfillment of covenants relating to certain ratios based on the borrowing subsidiaries' statement of financial position, as are commonly found in lending arrangements with financial institutions. If the entities were to breach the covenants, the drawn down facilities would become repayable on demand. These borrowings were classified as current liabilities even though the directors 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 36 to the consolidated financial statements. At 31 December 2020, covenants relating to drawn down facilities amounting to approximately HK$285.3 million (2019: HK$22.0 million) had been breached. In addition, the Group has defaulted in the repayment of certain bank and other borrowings of aggregate outstanding principal amount of approximately HK$7,256.1 million (2019: HK$2,282.5 million), including the amount of HK$285.3 million (2019: HK$22.0 million) which had been included in the breach of covenant, which have fallen due and become immediately payable. Such breach and default in repayment may also trigger cross default provisions in other loan agreements.

27. LEASE LIABILITIES

	2020 *HK$'000*	2019 *HK$'000*
Current portion	**2,188**	3,700
Non-current portion	**—**	2,188
	2,188	5,888

28. CONVERTIBLE BONDS

The convertible bonds in an aggregate principal amount of HK$1,086,279,565 were issued to and subscribed by a major shareholder of the Company (the "**Convertible Bonds**") in October 2015 with the maturity date on 15 October 2020 (the "**Original Maturity**"). On 25 September 2020, the Company and the holder of the Convertible Bonds entered into a supplemental agreement to extend the maturity date by 32 months from 15 October 2020 to 15 June 2023 (the "**Extended Maturity**"), which was approved at an extraordinary general meeting held on 30 November 2020 (the "**Modification Date**").

The Convertible Bonds may be converted into 5,172,759,833 conversion shares of the Company based on the conversion price of HK$0.21 (after taking up the effect of the Second Subscription Completion, subject to adjustment) per share upon full conversion.

The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears. The holder of the Convertible Bonds shall have the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into the shares at any time after the Modification Date until the date seven days before (and excluding) 15 June 2023, provided that the public float of the shares of the Company shall not be less than 25% as required by the Listing Rules. The effective interest rate of the liability component is 10.0% (2019: 6.4% under the Original Maturity) per annum under the Extended Maturity.

28. CONVERTIBLE BONDS *(Continued)*

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

	2020 HK$'000	2019 HK$'000
Equity component		
Original Maturity:		
Fair value of the Convertible Bonds at the date of issuance	**1,086,280**	1,086,280
Fair value of the liability component at the date of issuance	**(795,695)**	(795,695)
	290,585	290,585
Extended Maturity:		
Fair value of the Convertible Bonds at the Modification Date	**1,814,470**	
Fair value of the liability component at the Modification Date	**(842,414)**	
	972,056	
Liability component		
Original Maturity:		
At 1 January	**1,034,246**	971,771
Imputed interest	**52,034**	62,475
At the Modification Date/At 31 December	**1,086,280**	1,034,246
Extended Maturity:		
Fair value at the Modification Date	**842,414**	
Imputed interest	**7,207**	
At 31 December	**849,621**	
Loss on modification of Convertible Bonds		
Fair value of the Convertible Bonds at the Modification Date under the Extended Maturity	**1,814,470**	
Less: Carrying amount of the liability component at the Modification Date	**(1,086,280)**	
	728,190	

29. DEFERRED INCOME

	2020 HK$'000	2019 HK$'000
At 1 January	**120,294**	133,759
Addition	**291**	3,056
Amortisation	**(7,886)**	(13,857)
Exchange realignment	**8,140**	(2,664)
At 31 December	**120,839**	120,294

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

30. DEFERRED TAX

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

	2020 HK$'000	2019 HK$'000
At 1 January	**84,109**	10,773
Charged to profit or loss	**22,340**	39,239
(Credited) Charged to equity/other comprehensive income	**(7,590)**	39,329
Exchange realignment	**5,018**	(5,232)
At 31 December	**103,877**	84,109

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Depreciation allowances	**295,486**	252,189	**11,104**	12,202
Revaluation of properties	**–**	–	**308,478**	297,914
Deferred income arising from resumption of the Dihao Properties	**–**	–	**114,954**	–
Impairment of trade and other receivables	**131**	142	**–**	–
Tax losses	**121,918**	63,378	**–**	–
Others	**–**	–	**86,876**	89,702
	417,535	315,709	**521,412**	399,818
Offsetting	**(417,535)**	(315,709)	**(417,535)**	(315,709)
Deferred tax liabilities, net	**–**	–	**103,877**	84,109

30. DEFERRED TAX *(Continued)*

Unrecognised deferred tax assets arising from:

	2020 HK$'000	2019 HK$'000
Deductible temporary differences	**3,471,993**	2,820,140
Tax losses	**6,854,948**	6,475,570
	10,326,941	9,295,710

Deductible temporary differences of approximately HK$3,472.0 million (2019: HK$2,820.1 million) and tax losses arising in Hong Kong of approximately HK$438.1 million (2019: HK$438.1 million) have no expiry date under current tax legislations. Tax losses arising in the PRC of approximately HK$6,416.8 million (2019: HK$6,037.4 million) which are available for offsetting against future taxable profits of the companies in which the losses arose will expire in one to five years. The directors 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 companies to utilise these tax losses and deductible temporary differences.

Deferred tax has not been recognised for withholding taxes and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling HK$682.5 million at 31 December 2020 (2019: HK$683.5 million). The directors of the Company consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

31. SHARE CAPITAL

	2020 HK$'000	2019 HK$'000
Authorised: 20,000,000,000 (2019: 20,000,000,000) ordinary shares of HK$0.1 each	**2,000,000**	2,000,000

Issued and fully paid:	2020 No. of shares	2020 HK$'000	2019 No. of shares	2019 HK$'000
At 1 January	**7,678,798,032**	**767,880**	6,398,998,360	639,900
New shares issued (a), (b)	**1,228,607,685**	**122,861**	1,279,799,672	127,980
At 31 December	**8,907,405,717**	**890,741**	7,678,798,032	767,880

Remarks:

(a) On 20 August 2019, the Company issued 1,279,799,672 new shares to the Subscriber pursuant to a subscription agreement dated 19 July 2019 at the subscription price of HK$0.10 per First Subscription Share, with an aggregate net proceed of approximately HK$127,980,000.

(b) On 29 April 2020, the Company issued 1,228,607,685 new shares to the Subscriber pursuant to a subscription agreement dated 27 September 2019 at the subscription price of HK$0.1080 per Second Subscription Share, with an aggregate net proceed of approximately HK$132,690,000.

32. OTHER CASH FLOW INFORMATION

Changes in liabilities arising from financing activities

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

	Interest-bearing bank and other borrowings *HK$'000*	Convertible bonds *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
Year ended 31 December 2020				
At 1 January 2020	7,627,781	1,034,246	5,888	8,667,915
Changes from financing cash flows:				
Proceeds from new interest-bearing bank and other borrowings	305,618	–	–	305,618
Repayment of interest-bearing bank and other borrowings	(365,002)	–	–	(365,002)
Repayment of lease liabilities	–	–	(3,840)	(3,840)
Interest paid	(95,338)	–	–	(95,338)
Total changes from financing cash flows	(154,722)	–	(3,840)	(158,562)
Exchange realignment	541,245	–	–	541,245
Other changes:				
Interest expenses	95,338	59,241	140	154,719
Modification of convertible bonds	–	(243,866)	–	(243,866)
Total other changes	95,338	(184,625)	140	(89,147)
At 31 December 2020	8,109,642	849,621	2,188	8,961,451

32. OTHER CASH FLOW INFORMATION *(Continued)*

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

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

33. FINANCIAL GUARANTEE CONTRACTS

As mentioned in note 2.2 to the consolidated financial statements, the Guarantor Subsidiaries have jointly provided corporate guarantees in respect of financing facilities granted to Dajincang starting from year 2010. The maximum amount of the financing facilities was RMB2.5 billion at 31 December 2020 (2019: RMB2.5 billion). The directors of the Company have tried to engage a professional valuer to assess the fair value of the Financial Guarantee Contracts. However, since the management of the Group was unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the consolidated financial statements in respect of the Financial Guarantee Contracts. During the Year, certain subsidiaries of the Company, as guarantors of the Financial Guarantee Contracts, incurred interest of approximately HK$153.5 million (2019: HK$110.8 million) in respect of the borrowings of Dajincang, which was recorded in "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

34. CAPITAL COMMITMENTS

	2020	2019
	HK$'000	*HK$'000*
Contracted but not provided for:		
Purchase/Construction of property, plant and equipment	**574,576**	537,703

35. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

Related party relationship	**Nature of transactions**	**2020** ***HK$'000***	2019 *HK$'000*
Key management personnel	Short-term employee benefits	**5,545**	6,046
	Post-employment benefits	**733**	256
	Termination benefits	**–**	65
		6,278	6,367
The Nongtou Group	Purchase of corn kernels	**20,285**	774,220
	Sale of corn starch and other products	**(15,018)**	(4,405)
	Interest on payables	**135,142**	129,027
	Interest on other borrowings	**12,506**	7,928
Nongtou	Guarantees charge	**19,643**	20,115

35. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	Notes	2020 HK$'000	2019 HK$'000
Due (to) from a joint venture (a)		**(4,719)**	4,270
Due to an associate (a)		**(1,410)**	(1,593)
Trade payables to the Nongtou Group	24(b)	**(343,055)**	(372,467)
Other payables to the Nongtou Group	25(b)	**(713,766)**	(559,850)
Other borrowings from the Nongtou Group	26(b)	**(60,893)**	(56,833)

Remarks:

(a) The balances are unsecured, non-interest bearing and have no fixed repayment terms.

(c) Compensation of key management personnel

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

36. 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:

	2020 *HK$'000*	2019 *HK$'000*
Financial assets at amortised cost		
Trade and bills receivables	**134,766**	267,870
Financial assets included in prepayments, deposits and other receivables	**644,426**	557,774
Due from a joint venture	**—**	4,270
Pledged bank deposits	**29,874**	9,916
Cash and bank balances	**153,323**	79,509
	962,389	919,339
Financial liabilities at amortised cost		
Trade and bills payables	**1,357,959**	1,551,476
Financial liabilities included in other payables and accruals	**2,176,280**	1,453,111
Due to an associate	**1,410**	1,593
Due to a joint venture	**4,719**	—
Interest-bearing bank and other borrowings	**8,109,642**	7,627,781
Convertible bonds	**849,621**	1,034,246
Lease liabilities	**2,188**	5,888
	12,501,819	11,674,095

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.

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

Interest rate risk

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

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

At the end of the reporting period, if interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's loss before tax would have increased/decreased by HK$77,357,000 (2019: HK$72,567,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2019.

Credit risk

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

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

Cash and bank balances and pledged bank deposits

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

Trade and bills receivables

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group normally allows credit terms of 30 to 90 days (2019: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management. Since the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

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

Credit risk *(Continued)*

Trade and bills receivables *(Continued)*

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

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

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Credit-impaired
At 31 December 2020				
Not past due	**0.4 – 0.6**	**122,449**	**(742)**	**No**
1 — 30 days past due	**0.6**	**7,628**	**(49)**	**No**
31 — 90 days past due	**1.1 – 1.4**	**5,539**	**(59)**	**No**
Over 90 days past due	**100.0**	**438,267**	**(438,267)**	**Yes**
		573,883	**(439,117)**	
At 31 December 2019				
Not past due	0.3 – 0.7	231,186	(1,566)	No
1 — 30 days past due	0.5 – 0.7	5,493	(39)	No
31 — 90 days past due	1.3 – 1.5	33,216	(420)	No
Over 90 days past due	100.0	381,491	(381,491)	Yes
		651,386	(383,516)	

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

Credit risk *(Continued)*

Trade and bills receivables *(Continued)*

At 31 December 2020, the Group recognised loss allowance of HK$439,117,000 (2019: HK$383,516,000) on the trade and bills receivables. The movement in the loss allowance for trade and bills receivables during the years is summarised below.

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**383,516**	404,081
Increase in allowance	**31,146**	14,257
Reversal of allowance	**(78)**	(23,958)
Exchange realignment	**24,533**	(10,864)
At 31 December	**439,117**	383,516

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

Other receivables

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

In estimating the ECL, the Group has taken into account the historical actual credit loss experience and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made for the year ended 31 December 2020.

As at 31 December 2020, the Group recognised loss allowance of HK$102,600,000 (2019: HK$72,035,000) on the other receivables.

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

Liquidity risk

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

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

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

	On demand *HK$'000*	Less than 3 months *HK$'000*	More than 3 months but less than 12 months *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	Total *HK$'000*
At 31 December 2020						
Trade and bills payables	1,334,149	23,810	–	–	–	1,357,959
Financial liabilities included in other payables and accruals	2,176,280	–	–	–	–	2,176,280
Due to an associate	1,410	–	–	–	–	1,410
Due to a joint venture	4,719	–	–	–	–	4,719
Interest-bearing bank and other borrowings	7,256,071	252,672	457,755	18,012	188,595	8,173,105
Convertible bonds	–	–	–	–	1,086,280	1,086,280
Lease liabilities	–	960	1,280	–	–	2,240
	10,772,629	277,442	459,035	18,012	1,274,875	12,801,993

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

Liquidity risk *(Continued)*

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

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

In addition, as disclosed in note 33 to the consolidated financial statements, the Group may be required to make payments in respect of the Financial Guarantee Contracts up to a maximum amount of RMB2.5 billion at 31 December 2020 (2019: RMB2.5 billion) together with outstanding interest.

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

37. LITIGATIONS

Delayed payments to suppliers

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

38. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2020 *HK$'000*	2019 *HK$'000*
Non-current assets			
Investments in subsidiaries		–	–
Current assets			
Other receivables		**962**	621
Cash and cash equivalents		**2,240**	1,784
		3,202	2,405
Current liabilities			
Other payables and accruals		**5,454**	4,262
Financial guarantee contracts		**600,944**	573,942
Convertible bonds		–	1,034,246
		606,398	1,612,450
Net current liabilities		**(603,196)**	(1,610,045)
Total assets less current liabilities		**(603,196)**	(1,610,045)
Non-current liabilities			
Convertible bonds		**849,621**	–
Financial guarantee contracts		**375,014**	615,964
		1,224,635	615,964
NET LIABILITIES		**(1,827,831)**	(2,226,009)
Equity			
Share capital		**890,741**	767,880
Reserves	38(a)	**(2,718,572)**	(2,993,889)
TOTAL DEFICIT		**(1,827,831)**	(2,226,009)

The statement of financial position was approved and authorised for issue by the board of directors on 31 March 2021 and signed on its behalf by

Zhang Zihua
Director

Liu Shuhang
Director

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

(a) Reserves

	Share premium HK$'000	Convertible bond reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	3,127,204	290,585	(6,379,049)	(2,961,260)
Loss and total comprehensive loss for the year	—	—	(32,629)	(32,629)
At 31 December 2019	3,127,204	290,585	(6,411,678)	(2,993,889)
Loss and total comprehensive loss for the year	—	—	(706,568)	(706,568)
Transactions with owners				
Issue of share capital	9,829	—	—	9,829
Total transactions with owners	9,829	—	—	9,829
Transfer upon expiry of convertible bonds	—	(290,585)	290,585	—
Modification of convertible bonds	—	972,056	—	972,056
At 31 December 2020	3,137,033	972,056	(6,827,661)	(2,718,572)

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

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

39. EVENT AFTER THE REPORTING PERIOD

As mentioned in note 2.2 to the consolidated financial statements, the BOC Transferred Loans have been transferred to Changchun Rudder and each of the BOC Borrowers has entered into a Repurchase Agreement with Changchun Rudder on 26 March 2021 to purchase their respective portion of the BOC Transferred Loans so as to discharge their debts and liabilities owed to Changchun Rudder. The considerations of the GBT Indebtedness and the GSH Indebtedness will be financed by the proceeds from the compensation for the resumption of the Relevant Properties. The Completion of the Repurchase Agreements took place on 31 March 2021. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GSH dated 26 March 2021 and 31 March 2021.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

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 financial statements, is set out below.

	Year ended 31 December				
	2020*	2019#	2018#	2017#	2016#
	HK$'000	HK$'000	HK$'000	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**848,867**	4,561,391	5,657,726	4,397,005	3,882,840
Cost of sales	**(774,767)**	(4,357,862)	(5,398,016)	(3,787,974)	(3,567,018)
Gross profit	**74,100**	203,529	259,710	609,031	315,822
Other income and gains	**389,748**	684,375	321,630	198,754	187,116
Selling and distribution costs	**(85,876)**	(407,789)	(584,130)	(398,193)	(296,578)
Administrative expenses	**(362,313)**	(440,695)	(439,187)	(419,489)	(347,562)
Other expenses	**(971,237)**	(510,420)	(360,098)	(584,442)	(1,500,062)
Loss on modification of convertible bonds	**(728,190)**	–	–	–	–
Share of loss of a joint venture	**(2,332)**	(1,541)	–	–	–
Finance costs	**(724,826)**	(604,076)	(565,040)	(454,678)	(441,118)
LOSS BEFORE TAX	**(2,410,926)**	(1,076,617)	(1,367,115)	(1,049,017)	(2,082,382)
Income tax (expenses) credit	**(22,340)**	(39,717)	67,896	158,759	170,096
LOSS FOR THE YEAR	**(2,433,266)**	(1,116,334)	(1,299,219)	(890,258)	(1,912,286)
Loss attributable to:					
Owners of the Company	**(2,429,949)**	(1,067,819)	(1,222,322)	(837,491)	(1,850,640)
Non-controlling interests	**(3,317)**	(48,515)	(76,897)	(52,767)	(61,646)
	(2,433,266)	(1,116,334)	(1,299,219)	(890,258)	(1,912,286)
TOTAL ASSETS	**7,601,594**	8,234,929	9,824,839	10,763,086	9,833,188
TOTAL LIABILITIES	**(13,618,669)**	(12,580,920)	(13,395,373)	(13,229,610)	(11,637,255)
NON-CONTROLLING INTERESTS	**155,930**	148,126	122,653	58,992	(714)
	(5,861,145)	(4,197,865)	(3,447,881)	(2,407,532)	(1,804,781)

* Details of the disclaimer of audit opinion are set out in the independent auditor's report on page 61 to page 63.

Disclaimer of audit opinion was issued in respect of the Group's consolidated financial statements for the years ended 31 December 2019, 2018, 2017 and 2016. Please refer to the Company's 2019, 2018, 2017 and 2016 annual reports for details.