GLOBAL Bio-Chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code: 00809

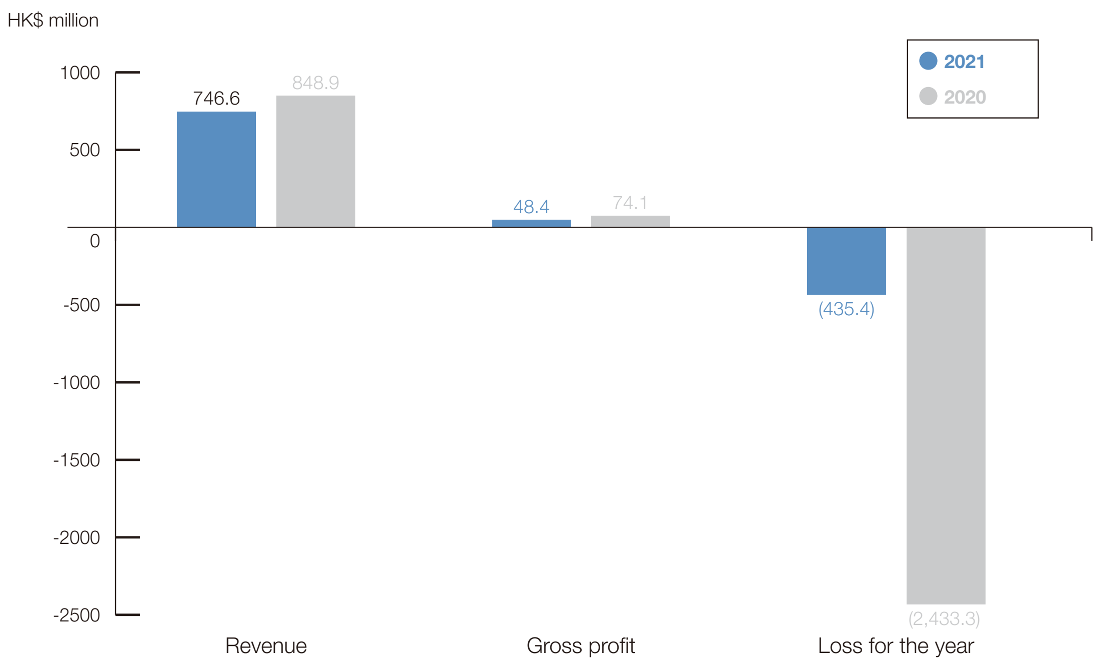
2021 ANNUAL REPORT

* For identification purpose only

Contents

Financial Highlights

FINANCIAL HIGHLIGHTS	2021	2020	Change %
Revenue (HK$'Mn)	**746.6**	848.9	(12.1)
Gross profit (HK$'Mn)	**48.4**	74.1	(34.7)
Loss for the year (HK$'Mn)	**(435.4)**	(2,433.3)	N/A
Loss attributable to owners of the Company (HK$'Mn)	**(400.8)**	(2,429.9)	N/A
Basic loss per share (HK cents)	**(4.5)**	(28.6)	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 Director
Mr. Gao Dongsheng

Independent non-executive Directors
Ms. Dong Hongxia
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam

COMPANY SECRETARY

Mr. Chan Sing Fai, ACG, HKACG, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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,

The roller coaster ride of the global economy and the continued impact of the COVID-19 pandemic in 2021 had hampered cross-border trade and logistics to a certain extent. In China, effective pandemic control facilitated industries to resume normal operations gradually. During the year under review, China's gross domestic product reached RMB114 trillion, up by 8.1% year-on-year, placing the country among the best-performing major economies in the world. However, affected by factors such as delays in logistics, insufficient supply of raw materials and decrease in purchasing power, certain domestic manufacturing sectors were still unable to resume their normal capacity utilisation.

BUSINESS REVIEW

During the year under review, as corn price remained high, coupled with uneven pace of recovery across the upstream and downstream product markets, the increase in the prices of most of the Group's products was insufficient to offset the rise in raw material cost. After taking into account the Group's financial situation and the overall market supply and demand, the Group continued to suspend the operation of most of its production facilities to minimise cash outflow. During the year under review, the Company's management continued to focus on negotiating with creditors to push forward with the debt restructuring plan in order to complete the debt restructuring as early as possible and to get the Group back on track and achieved remarkable results.

Due to the completion of the repurchase agreements entered into between 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**") and each of the Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**"), a former major supplier of the Group, in late March 2021, the Group recognised a one-off gain on debt restructuring of approximately HK$1,325.0 million during the year under review, and all the financial guarantee obligations that had bound the Company for years have been discharged. As a result, the Group's loss for the year significantly narrowed by 82.1% to approximately HK$435.4 million and recorded EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) of approximately HK$783.6 million for the year under review.

In March 2022, the Group was notified by one of its creditor banks, 中國進出口銀行 (The Export-Import Bank of China*) ("**Export-Import Bank**"), that it has entered into transfer agreements with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**China Cinda**"), pursuant to which Export-Import Bank has transferred to China Cinda all of its rights and benefits of the loans owed by the Group. The aforesaid transfer signifies that the Group being one step closer towards completing its debt restructuring plan. As of now, all of the Group's major creditor banks have completed the transfer of loans. The Group will continue to actively negotiate with its creditors in order to push forward with the next stage of the debt restructuring plan.

At the end of March 2021, the Group received the remaining balance of the compensation in the amount of approximately RMB443.0 million for the resumption of properties located in Luyuan District, Changchun, owned by an indirect subsidiary of the Group from the local government which completed in the previous year. During the year under review, the Group continued to actively work with the local government to speed up the land resumption. The compensation from the resumption will help relieve the financial and cash flow pressure of the Group during the period of suspension.

Supported by government policy, the husbandry industry in China rebounded at the end of the second quarter during the year under review. As a result, demand for lysine, as an essential feed additive, had been driven up. On the other hand, tightened global lysine supply as a result of changes in its supply chain coupled with delayed deliveries due to the pandemic had caused global lysine price to rise. Lysine price in China had once hit RMB13,500 per metric tonnes during the year under review. Nonetheless, as most of the Group's lysine inventories were sold in the previous year, the Group's lysine segment recorded only insignificant sales volume. During the year under review, the Group continued to suspend operation of its lysine production lines, as the resumption of the Group's lysine production operation would require the resumption of upstream corn refinery operation to achieve cost effectiveness. However, resuming both upstream and downstream production operations simultaneously would incur huge working capital, which is not feasible for the Group given its tight operating cash flow.

Rising sugar price had driven up the average selling price of corn sweeteners. During the year under review, the Group consolidated its sweeteners production in the Shanghai production site. Although the Shanghai production site took proactive measures to minimise its energy consumption and made flexible adjustments to adapt to market changes, the increase in the selling price of sweetener products did not keep up with the increases in the costs of raw material and energy consumption. As such, the gross profit and gross profit margin of the corn sweeteners segment decreased accordingly.

During the year under review, the polyol chemical segment continued to utilise its inventory to produce and sell anti-freeze products, and contributed to the Group's gross profit.

OUTLOOK

Although China's gross domestic products for 2021 grew by 8.1% year-on-year, the growth rate was declining on a quarterly basis, reflecting the country's economy was under downward pressure. Entering the first quarter of 2022, affected by the highly contagious Omicron variant, various parts of China reported COVID-19 flare-ups. The relevant pandemic prevention and control measures inevitably affected business activities to a certain extent.

China is undergoing economic restructuring to meet the needs of sustainable development in the future, with the aim to reform or phase out most-polluting and low value-added industries. During this restructuring process, different industries will be affected by varying degrees. Such structural changes together with price fluctuations in raw materials and energy consumption will continue to pose operating risks to the manufacturing sector. On the other hand, the economic outlook is shrouded in uncertainty by the turbulence in international political and economic environments as well as geopolitics and regional wars. The business environment in 2022 will remain challenging.

Corn prices will continue to be affected by the supply side and remain high in 2022. High raw material costs will put pressure on the resumption plan of the Group's production operation. The Group will closely monitor market development and prepare for partial resumption of the upstream production operation in the Xinglongshan site this year. The resumption of upstream operation will help bring in operating cash inflow to the Group, paving the way for resuming the downstream operations in the future.

It is expected that further progress of the Group's debt restructuring plan will be made by the end of 2022. Upon the completion of the entire debt restructuring plan of the Group, the financial position of the Group will be able to get back to normal so that the Group's business will be able to regain its growth momentum.

I would like to express my heartfelt thanks to all the Company's shareholders, creditors and business partners for their continued trust and support. Facing a challenging year, our management team will continue to adopt a pragmatic and prudent approach to drive the Group forward.

Acting Chairman
Zhang Zihua

5 May 2022

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. The corn sweeteners segment is operated by Global Sweeteners Holdings Limited (Stock Code: 03889) ("**GSH**", together with its subsidiaries, the "**GSH Group**"), a non-wholly-owned subsidiary of the Group, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 2021 (the "**Year**"), the coronavirus disease (the "**COVID-19**") pandemic continued to put pressure on the global economic environment. During the first half of the Year, infection cases in most countries started to drop from their peaks as different countries rolled out COVID-19 vaccination programmes. There were signs of economic recovery in the major economies. Nevertheless, with the emergence of the highly contagious Omicron variant, infection cases rebounded since the fourth quarter of the Year, especially in Europe and the United States (the "**US**"). In the People's Republic of China (the "**PRC**" or "**China**"), the stringent pandemic control measures have kept the infection cases low during the Year. Although China has recorded a strong economic growth of 18.3% during the first quarter of the Year, with the uncertainty in the global economic environment, the PRC economy continued to face challenges from shrinking demand, supply shock and power shortage. Coupled with the real estate crisis, economic growth rate of the PRC slowed down in the second half of the Year. Despite this, China still exceeded its initial growth target of 6% and recorded an annual economic growth of 8.1% in 2021. Although the PRC economy is on the trajectory of recovery, investment in the manufacturing sector and employment rate have yet to return to the levels before the outbreak of COVID-19. In addition, surging commodity prices and energy prices together with shrunken demand continued to put pressure on many businesses. The operating environment of the Group continued to be challenging during the Year.

In light of the challenging operating environment, the Group has continued to suspend 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 turn favourable. 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 2021/22 is estimated at 1,205.4 million metric tonnes ("**MT**") (2020/21: 1,133.9 million MT), according to the estimates from the United States Department of Agriculture in February 2022. During the Year, increased corn imports from China, the increase in demand from the corn based ethanol sector in the US, and droughts in major corn producing countries have driven up the international corn price. As a result, international corn price reached 773 US cents per bushel (equivalent to RMB1,958 per MT) in May 2021, which was the highest level since 2012. With the expectation of increased production in 2022, international corn price gradually cooled off to 593 US cents per bushel (equivalent to RMB1,487 per MT) (end of 2020: 718 US cents per bushel (equivalent to RMB1,844 per MT)) by the end of 2021. In the PRC, due to reduced corn production in the 2020/21 harvest and the concerns about food security in light of the continued impact of the COVID-19 pandemic on the global economy, China has increased its corn imports by 152% to approximately 28.4 million MT in 2021. On the other hand, domestic corn harvest in 2021/22 is estimated to produce approximately 272.6 million MT (2020/21: approximately 264.7 million MT) of corn, with consumption volume estimated at 285.1 million MT (2021: 288.2 million MT) for 2022. It is expected that China will continue to import corn to make up for the shortfall in corn supply in 2022. 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 RMB2,734 per MT (end of 2020: RMB2,529 per MT) by the end of 2021. However, the recovery pace in the downstream user market has been lagging behind the rising corn cost. During the Year, the overall capacity utilisation of the upstream corn refinery in the PRC was about 50%. As such, it is not commercially viable for the Group to resume its upstream operation. As a result, the Group has continued to suspend its upstream operation during the Year. Consequently, the performance of the Group's upstream corn-refinery business was adversely affected during the Year.

During the Year, the PRC supportive policy has successfully boosted pork production in China. Despite the outbreaks of the African Swine Fever (the "**ASF**") in various hog producing regions in China in the first quarter of the Year, pork production still increased by 29% year-on-year. The rebound of the PRC husbandry industry, coupled with high corn costs and global supply shortage have driven up the demand for lysine products. As a result, lysine price in China has once hit RMB13,500 per MT (2020: RMB10,500 per MT) during the Year. However, the resumption of the Group's lysine production operation would incur huge working capital and require the resumption of upstream operation for the production of feedstock based on the designed capacity of the Group's lysine production lines. The Group needs to secure sufficient fund to ensure the continuous operation of its lysine segment. As such, the Group has continued to suspend its lysine operation during the Year. Consequently, the Group recorded insignificant revenue for its lysine segment during the Year.

As for the sugar market, global economic recovery has boosted the demand for sugar. As a result, international sugar price increased to 18.88 US cents per pound (equivalent to RMB2,658 per MT) (end of 2020: 15.49 US cents per pound (equivalent to RMB2,232 per MT)) by the end of 2021. It is estimated that global sugar production in 2021/22 will reach 181.0 million MT (2020/21: 179.0 million MT) with consumption growth estimated at 1.9%. Industry estimates increased production will narrow the sugar deficit from 3.1 million MT in the 2020/21 season to 1.8 million MT in the 2021/22 season. Sugar price will still be supported with the expectation of high energy prices in 2022. In the PRC, domestic sugar production remained at similar level at 10.7 million MT (2019/20: 10.4 million MT) in the 2020/21 harvest, while consumption stayed at around 15.4 million MT. In addition, high international sugar price together with high freight costs have provided support for domestic sugar prices during the Year. As a result, domestic sugar price increased to RMB5,835 per MT (end of 2020: RMB5,356 per MT) by the end of 2021. Nevertheless, people's consumption patterns have changed as a result of COVID-19 prevention measures and they have reduced their frequency of dining out. The recovery pace of catering and related industries has been slow, putting pressure on the demand recovery of the sweeteners market. In addition, the rising corn cost has further reduced the profit margins of the Group's sweetener products. As such, the Group has continued to suspend the operation of the sweeteners production facilities in the Jinzhou and Xinglongshan sites and consolidated its resources into the Shanghai production site which has higher operational efficiency during the Year.

The operating environment for the Group's polyol chemical business continued to be challenging during the Year. The Group's research and development team is proactively looking at the possibility to restructure its product portfolio to include high value-added products in response to 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 2022 will continue to be challenging as corn price is expected to remain high in 2022. 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 be cautious in making decisions on the Group's business strategies so as to optimise the operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence. In the long run, the Group will continue to strengthen its market position 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 to the Group's financial position, the Group will continue to leverage on the synergies with its resourceful shareholders with state-owned enterprise background and devote its energy in facilitating the implementation of the Group's debt restructuring plan to achieve significant improvement of the Group's financial position, and seek opportunities with other potential investors that will bring both financial and business synergies to the Group.

FINANCIAL PERFORMANCE

During the Year, due to the continued impact of the outbreak of COVID-19 and the tight operating cash flow of the Group as a result of the prolonged challenging operating environment, the Group has continued to suspend most of its production facilities. The suspension of operations together with the exhaustion of most of the Group's inventories in prior year have led to a drop in sales volume. Consequently, the consolidated revenue of the Group for the Year dropped by 12.1% to approximately HK$746.6 million (2020: HK$848.9 million). Gross profit for the Year decreased by approximately 34.7% to approximately HK$48.4 million (2020: HK$74.1 million), with gross profit margin dropped by 2.2 percentage points to 6.5% (2020: 8.7%).

Due to the completion of the repurchase agreements (the "**Repurchase Agreements**" and each, a "**Repurchase Agreement**") dated 26 March 2021 entered into between 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**") and each of the Group, the GSH Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**"), all of which took place on 31 March 2021, the Group (including the GSH Group) recognised a one-off gain on debt restructuring of approximately HK$1,325.0 million, which comprises the difference between the considerations to be paid by the Group (including the GSH Group) and the amount of the debt owed to Changchun Rudder and the write-back of accrued guarantee interest in relation to the financial guarantees granted by the certain subsidiaries of the Group and the GSH Group (the "**Guarantor Subsidiaries**") under the financial guarantee contracts (the "**Financial Guarantee Contracts**") in respect of the indebtedness of Dajincang with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest (the "**Dajincang Indebtedness**"). In contrast, during the previous financial year, the Company recognised a one-off loss amounted to approximately HK$728.2 million subsequent to the modification of the convertible bonds (the "**Convertible Bonds**") issued by the Company to Modern Agricultural Industry Investment Limited ("**Modern Agricultural**") in October 2015 with the maturity date extended from 15 October 2020 to 15 June 2023. As a result, the Group recorded a significant decrease in net loss to approximately HK$435.4 million (2020: HK$2,433.3 million) with EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) of approximately HK$783.6 million (2020: LBITDA (i.e. loss before interest, taxation, depreciation and amortisation): HK$1,229.2 million) during the Year.

The management of the Group will continue its efforts to further improve the financial performance of the Group through (1) speeding up the process of resumption of the remaining part of the land and buildings owned by the Group and the GSH Group located in Luyuan District, Changchun, the PRC (the "**Relevant Properties**") in order to reduce the financial burden of the Group; (2) actively negotiating with banks/creditors to push forward with 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$0.8 million (2020: HK$248.6 million))
(Gross profit: HK$0.1 million (2020: HK$18.3 million))

During the Year, the suspension of the Group's upstream operations and the exhaustion of most of the inventories in prior year have led to a significant drop in sales volume. As a result, the revenue of the Group's upstream business dropped by approximately 99.7% to approximately HK$0.8 million (2020: HK$248.6 million). No revenue from the sale of corn starch (2020: HK$189.1 million) was recorded during the Year. The revenue from the sale of other corn refined products amounted to approximately HK$0.8 million (2020: HK$59.5 million) with sales volume of approximately 200 MT (2020: 29,000 MT). No internal consumption of corn starch (2020: 8,000 MT) was recorded during the Year.

Consequently, the Group's upstream products recorded an insignificant gross profit of approximately HK$0.1 million (2020: HK$18.3 million) with gross profit margin of approximately 12.5% (2020: 7.4%).

Amino acids

(Revenue: HK$1.5 million (2020: HK$36.6 million))
(Gross profit: HK$0.1 million (2020: HK$1.4 million))

The amino acids segment consists of lysine, protein lysine and threonine products. During the Year, the Group continued the suspension of its amino acids operation to minimise the cash flow pressure of the Group. The amino acids segment recorded insignificant sales volume as most of the inventory had been sold in the previous year. As a result, the revenue of the amino acids segment amounted to approximately HK$1.5 million (2020: HK$36.6 million) with sales volume of approximately 180 MT (2020: 7,000 MT) for the Year. However, as lysine price has improved during the Year, the amino acids segment still recorded an insignificant gross profit of HK$0.1 million (2020: HK$1.4 million), with a gross profit margin of 6.7% (2020: 3.8%). Although it is expected that pork production in China will continue its recovery momentum in 2022 with the support of the PRC government, pork price is expected to be under pressure as demand recovery has been slow. In addition, corn price is expected to remain high throughout 2022, together with the uncertainty over the mutation and the possible outbreak of the ASF in China, the Group will continue to closely monitor the development of the market conditions as well as the financial conditions of the Group to secure adequate working capital to resume and sustain the continuous production operation of the amino acids segment as soon as possible to the extent practicable. In the meantime, the Group's research and development team will continue to dedicate its effort to lower production cost, proactively look for opportunities to develop other amino acid products complementary to the current product mix of the Group and to cater to the needs of different types of animals to increase the Group's flexibility and ability to respond to market changes.

Corn sweeteners

(Revenue: HK$727.3 million (2020: HK$558.1 million))
(Gross profit: HK$41.5 million (2020: HK$52.0 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 increased slightly by approximately 2.3% to approximately 178,000 MT (2020: 174,000 MT) as the COVID-19 pandemic in China stabilised. The increase in sugar price also drove up the average selling price of corn sweeteners during the Year. As a result, the revenue of the corn sweeteners segment increased by approximately 30.3% to approximately HK$727.3 million (2020: HK$558.1 million). However, the increase in the selling price of corn sweeteners did not keep up with the increases in raw material cost and cost of energy consumption. As such, the gross profit and gross profit margin of the corn sweeteners segment dropped to approximately HK$41.5 million (2020: HK$52.0 million) and 5.7% (2020: 9.3%) respectively, during the Year.

Polyol chemicals

(Revenue: HK$17.0 million (2020: HK$5.6 million))
(Gross profit: HK$6.7 million (2020: HK$2.4 million))

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

During the Year, the revenue of polyol chemicals segment increased by 203.6% to approximately HK$17.0 million (2020: HK$5.6 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$6.7 million (2020: HK$2.4 million) with a gross profit margin of 39.4% (2020: 42.9%).

Export sales

During the Year, export sales which comprised entirely the export sales of corn sweeteners accounted for 2.0% (2020: 4.5%) of the Group's total revenue. The export sales of the Group amounted to approximately HK$14.7 million (2020: HK$38.6 million) during the Year, representing a decline of approximately 61.9% as compared to that of the previous year. Such decline was mainly attributable to the suspension of most of the Group's production facilities and the exhaustion of most of the inventory in the previous year. Consequently, no export sales of upstream products, amino acids and polyol chemicals were recorded during the Year (2020: HK$22.5 million, HK$5.4 million and nil, respectively).

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

Other income and gains

During the Year, other income and gains increased significantly by approximately 260.9% to approximately HK$1,406.5 million (2020: HK$389.7 million). Such difference was mainly attributable to the recognition of a one-off gain on debt restructuring of approximately HK$1,325.0 million as a result of the completion of the Repurchase Agreements during the Year.

Selling and distribution costs

During the Year, the selling and distribution costs decreased by 26.1% to approximately HK$63.5 million (2020: HK$85.9 million), accounting for approximately 8.5% (2020: 10.1%) of the Group's revenue. Such decrease was mainly attributable to the decline in sales volume.

Administrative expenses

During the Year, administrative expenses slightly increased by 2.9% to approximately HK$372.8 million (2020: HK$362.3 million). Such increase was mainly attributable to the expiry of the reductions of or exemptions from pension scheme contributions granted by the PRC government to certain subsidiaries of the Group operating in the PRC due to the COVID-19 pandemic during the year ended 31 December 2020.

Other expenses

During the Year, other expenses decreased by 34.6% to approximately HK$635.5 million (2020: HK$971.2 million). Such decrease was mainly attributable to (1) the decrease in guarantee interest to approximately HK$41.1 million (2020: HK$153.5 million) as a result of the discharge of financial obligations pursuant to the Financial Guarantee Contracts during the Year; and (2) 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 ended 31 December 2020, the same of which was not recorded during the Year.

Finance costs

During the Year, finance costs of the Group increased by 9.1% to approximately HK$790.6 million (2020: HK$724.8 million), which was mainly attributable to the increase in imputed interest on the Convertible Bonds amounted to approximately HK$89.2 million (2020: HK$59.2 million) and the increase in the interest on bank and other borrowings to approximately HK$519.5 million (2020: HK$484.1 million) as a portion of 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$25.9 million (2020: HK$22.3 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 (2020: Nil). As a result, the Group recorded tax expense of approximately HK$25.9 million (2020: HK$22.3 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$98.3 million (2020: HK$11.1 million), leading to loss attributable to non-controlling interests amounted to approximately HK$34.6 million (2020: HK$3.3 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 31 December 2021 decreased by approximately HK$608.3 million to approximately HK$7,501.3 million (31 December 2020: HK$8,109.6 million) as a result of the completion of the Repurchase Agreements during the Year. On the other hand, the cash and bank balances and pledged bank deposits as at 31 December 2021 also decreased by approximately HK$160.9 million to approximately HK$22.3 million (31 December 2020: HK$183.2 million). As a result, the net borrowings decreased by approximately HK$447.4 million to HK$7,479.0 million (31 December 2020: HK$7,926.4 million).

Structure of interest-bearing bank and other borrowings

As at 31 December 2021, the Group's interest-bearing bank and other borrowings of approximately HK$7,501.3 million (31 December 2020: HK$8,109.6 million) were all (2020: all) denominated in Renminbi.

The percentage of interest-bearing and other borrowings wholly repayable within one year and in the second to the fifth years were 100.0% and 0.0% (31 December 2020: 97.7% and 2.3%), respectively. As at 31 December 2021, interest-bearing bank and other borrowings amounted to approximately RMB328.6 million (31 December 2020: RMB314.2 million) have been charged at fixed interest rates ranging from 5.8% to 13.6% (31 December 2020: 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

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

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

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

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

At 31 December 2021, the Convertible Bonds were divided into liability component and equity component which amounted to HK$938.9 million and HK$972.1 million (31 December 2020: HK$849.6 million and HK$972.1 million) respectively and effective imputed interest of HK$89.2 million (2020: HK$59.2 million) was charged during the Year.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Year, trade receivables turnover days decreased to approximately 55 days (31 December 2020: 58 days) as the Group has strengthened control on recoverability of receivable.

The trade payables turnover days decreased to approximately 661 days (31 December 2020: 685 days) during the Year, as the Group has been actively negotiating with creditors on the execution of repayment plans mutually agreed among the parties during the Year.

As most of the Group's inventories have been sold in prior year, the Group's inventory decreased by 43.2% to HK$81.4 million (31 December 2020: HK$143.4 million) during the Year. The inventory turnover days decreased to 43 days (31 December 2020: 68 days).

As at 31 December 2021, the current ratio and the quick ratio of the Group were at 0.05 (31 December 2020: 0.1) and 0.04 (31 December 2020: 0.1) respectively. The Group recorded a net loss of approximately HK$435.4 million (2020: HK$2,433.3 million) during the Year, leading to recorded net liabilities value of approximately HK$6,700.8 million (31 December 2020: HK$6,017.1 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 937.1% (31 December 2020: 387.5%). 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 2021. 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 57 to page 58 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 2021, the Group did not have any significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2021, the Group's interest-bearing bank and other borrowings amounted to approximately HK$5,018,414,000 (31 December 2020: HK$5,686,963,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group which amounted to approximately HK$2,084,565,000 (31 December 2020: HK$2,053,905,000) and HK$141,092,000 (31 December 2020: HK$118,497,000), respectively, and a receivable from disposal of assets which amounted to approximately HK$121,951,000 (31 December 2020: HK$119,048,000).

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 2.0% (2020: 4.5%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The board (the "**Board**") of directors (the "**Directors**") of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange 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

Completion of the Repurchase Agreements

As disclosed in the joint announcement of the Company and GSH dated 26 March 2021, each of the GSH Group, the Group and Dajincang (collectively, the "**BOC Borrowers**") entered into the Repurchase Agreements 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 the loans owed to Changchun Rudder, which included, among others, the loans of the GSH Group in the amount of approximately RMB198.6 million with the outstanding interest (the "**GSH Indebtedness**"), the loans of the Group (excluding the GSH Group) in the amount of approximately RMB1.3 billion with the outstanding interest (the "**GBT Indebtedness**") and the Dajincang Indebtedness which were guaranteed by the Guarantor Subsidiaries. The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreements, all the obligations of the Guarantor Subsidiaries pursuant to the Financial Guarantee Contracts in respect of the Dajincang Indebtedness 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.

IMPORTANT EVENTS AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

Settlement agreements with Jinzhou BOC

Reference is made to the joint announcements of the Company and GSH dated 24 September 2021 and 14 January 2022 (the "**Jinzhou BOC Loans Announcements**") in relation to, among others, the receipt of the summons from 遼寧省瀋陽市中級人民法院 (Intermediate People' Court of Shenyang City, Liaoning Province*) (the "**Shenyang Intermediate Court**") by the GSH Group to attend the court hearing in respect of the application filed by 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*) ("**Jinzhou BOC**") for the repayment of the outstanding principal amount and accrued interest under the fixed-term loans owed to Jinzhou BOC by two subsidiaries of the GSH Group, namely, 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.*) ("**Jinzhou Dacheng**") and 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**"). Such loans have been secured by assets and/or guarantee provided by the GSH Group. The outstanding principal amount under the loan agreement between Jinzhou BOC and Jinzhou Dacheng was approximately RMB19.8 million (the "**Jinzhou Dacheng BOC Loan**"); and the outstanding principal amount under the loan agreement between Jinzhou BOC and Jinzhou Yuancheng was approximately RMB30.0 million (the "**Yuancheng BOC Loan**") (collectively, the "**Jinzhou BOC Loans**"). The Shenyang Intermediate Court has granted orders for the preservation of the bank balance (or assets of equivalent value) of the GSH Group equivalent to the principal and interest outstanding under the Jinzhou BOC Loans in the aggregate amount of RMB55,518,460.06 in favour of Jinzhou BOC.

In respect of the Jinzhou BOC Loans, the Shenyang Intermediate Court has confirmed and acknowledged the settlement agreements reached between the respective parties. Consequently, Jinzhou Dacheng settled all its outstanding principal amount and accrued interest owed to Jinzhou BOC under the Jinzhou Dacheng BOC Loan in one payment by way of bank transfer on 25 January 2022; and Jinzhou Yuancheng shall repay Jinzhou BOC the outstanding principal amount and accrued interest under the Yuancheng BOC Loan in seven instalments pursuant to a mutually agreed schedule, with the last instalment due on 30 September 2023. Jinzhou Yuancheng will satisfy the settlement agreement in respect of the Yuancheng BOC Loan with its internal resources according to the agreed timeline. For details of the Jinzhou BOC Loans, please refer to the Jinzhou BOC Loans Announcements.

Preservation order in relation to the breach of Yuancheng CCB Loans

Reference is made to the joint announcements of the Company and GSH dated 4 May 2020, 14 January 2022 and 22 February 2022 (the "**Yuancheng CCB Loans Announcements**") regarding, among others, the breach of the various loan agreements entered into between Jinzhou Yuancheng and 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) ("**Jinzhou CCB**") and the grant of order by the Shenyang Intermediate Court in favour of Jinzhou CCB for preservation of the bank balance (or assets of equivalent value) of certain members of the Group and the GSH Group in the aggregate amount of RMB213,882,634.55 in respect of the loans due to Jinzhou CCB in the aggregate principal amount of RMB189.9 million and outstanding interest accrued thereon (the "**Yuancheng CCB Loans**").

The first court hearing in respect of the Yuancheng CCB Loans was initially scheduled to be held on 22 March 2022. However, due to the recent spike in COVID-19 infection cases in Liaoning Province, the hearing has been delayed until further notice from the Shenyang Intermediate Court. For details of the Yuancheng CCB Loans, please refer to the Yuancheng CCB Loans Announcements.

Subscription of new shares of the Company under the general mandate

As announced by the Company on 19 January 2022, the Company entered into the subscription agreement (the "**2022 Subscription Agreement**") with Rationale (Holdings) Investment Limited ("**Rationale Holdings**") on 19 January 2022, pursuant to which Rationale Holdings has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,781,481,143 new ordinary shares (the "**2022 Subscription Shares**") at the subscription price of HK$0.1345 per 2022 Subscription Share (the "**2022 Subscription**"). The net proceeds from the 2022 Subscription, after the deduction of relevant expenses, was approximately HK$239,500,000. The Group will utilise a portion of the proceeds from the 2022 Subscription for the partial resumption of the Group's upstream operation in the Xinglongshan site. The Directors believe that the resumption of operation in Xinglongshan will bring in operating cash inflow to the Group in 2022. For details of the 2022 Subscription, please refer to the announcements of the Company dated 19 January 2022 and 25 January 2022.

Liquidation of a subsidiary in Harbin

Reference is made to the joint announcement of the Company dated 19 January 2022 regarding, among others, the receipt of a notice from 賓縣人民法院 (People's Court of Bin County*) (the "**Bin County Court**") by 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) ("**Harbin Dacheng**"), a wholly owned subsidiary of the Group, notifying Harbin Dacheng that one of its creditors, 北大荒糧食集團有限公司 (Beidahuang Grain Group Co., Ltd.*) (the "**Applicant**") has applied to the Bin County Court to wind up Harbin Dacheng on the ground that Harbin Dacheng is insolvent (the "**Wind-up Application**"). As at 30 November 2021, the total amount due and owing by Harbin Dacheng to the Applicant was approximately RMB92,128,000 and the total outstanding debts owed by Harbin Dacheng amounted to approximately RMB718,307,000. In view of its insolvency, Harbin Dacheng will not defend the Wind-up Application and will be liquidated in accordance with the relevant liquidation procedures in the PRC.

As at 31 December 2021, the total assets of Harbin Dacheng accounted for approximately 1.7% of the total assets of the Group. The Board considers that the liquidation of Harbin Dacheng would not have any material adverse impact on the Group as the operation of Harbin Dacheng has been suspended since September 2019 and neither the Company nor any members of the Group has provided any guarantee for any debts of Harbin Dacheng. For details of the liquidation of Harbin Dacheng, please refer to the announcement of the Company dated 19 January 2022.

Temporary suspension of production facilities in Shanghai

Reference is made to the joint announcement of the Company and GSH date 14 April 2022 in relation to the temporary suspension of production operation of the Group's production facilities in Shanghai as a result of the lock down measures implemented in Shanghai in response to the outbreak of COVID-19. The lock down measures have limited the mobility of manpower across different industries and caused disruptions to the logistics network and necessitated the temporary suspension of production operation of the Group's production facilities in Shanghai.

The Board and the board of GSH will continue to monitor closely the development of the COVID-19 pandemic and the relevant measures imposed by the PRC government and will ensure resumption of the operation of the production facilities in Shanghai as soon as possible.

FUTURE PLANS AND PROSPECTS

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

The operating environment in 2022 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. It is expected that China will continue to face continuous challenges from shrinking demand, supply shock and power shortage. In addition, the ongoing structural changes in its economy for more sustainable growth in the future is expected to add temporary pressure to many businesses. With respect to the Group's business, corn price is expected to remain high in 2022. Coupled with the increasingly competitive operating environment for the Group's downstream businesses, 2022 will be a challenging year for the Group. In the short run, the Group will continue to monitor closely the development of the ASF and the 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.

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2021, the Group had approximately 3,700 (2020: 4,000) 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 52, 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 (Jiliang 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 has been an executive director of GSH since 23 March 2017 and the acting chairman of GSH since 31 December 2018.

Mr. Liu Shuhang, aged 50, 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 52, 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 deputy general manager. Mr. Gao was 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.*) from April 2020 to March 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Dong Hongxia, aged 36, 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 49, 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 Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and a member of Association of Chartered Certified Accountants. Mr. Ng has over 22 years' experience in auditing and accounting, including working experience in listed companies in Hong Kong. Mr. Ng was a regional financial controller of Momentum Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 01152) from 15 January 2020 to 23 June 2021.

Mr. Yeung Kit Lam, aged 59, 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 27 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 38, was appointed as the company secretary and financial controller of the Company on 23 April 2018, and has over 14 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor's degree with honours in accountancy in 2007 and attained a Master's degree in Corporate Governance from the Hong Kong Polytechnic University in 2015. He is a member of the HKICPA and is an associate member of the Hong Kong Chartered Governance Institute. Mr. Chan has served the Group for over 6 years. He is also the company secretary and financial controller of GSH.

Mr. Wang Guicheng, aged 54, 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 the 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.

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 that was in force 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 by the Directors						
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)	–		–	–		0/1	–
Zhang Zihua (b)	5/6		2/2	1/1	1/1	1/1	1/1
Liu Shuhang	6/6					1/1	1/1
Non-executive Director							
Gao Dongsheng	5/6						1/1
Independent non-executive Directors							
Dong Hongxia	6/6	3/3	2/2	1/1	1/1		1/1
Ng Kwok Pong	6/6	3/3	2/2	1/1	1/1		1/1
Yeung Kit Lam	6/6	3/3					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.

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 19 to page 20 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 interest of the shareholders (the "**Shareholders**") of the Company.

The Company has established sound mechanism(s) to ensure that the Board has a strong independent element and that independent views and input are available to the Board, and the mechanism(s) will be reviewed from time to time to ensure they are effective. The mechanism(s) for enhancing the independence of the Board are set out below:

Recruitment process of independent non-executive Directors

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

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

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

Number of independent non-executive Directors

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

Independence of the long serving independent non-executive Directors

Pursuant to code provision A.4.3 to the CG Code, if an independent non-executive Director has served more than nine years, such Director's further appointment should be subject to a separate resolution to be approved by the Shareholders. The papers to the Shareholders accompanying that resolution should state why the Board (or the Nomination Committee) believes that the Director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the Nomination Committee) in arriving at such determination. As at the date of this report, none of the independent non-executive Directors has served for more than nine years in the Board.

External independent professional advice

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

Review the independence of independent non-executive Directors annually

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

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

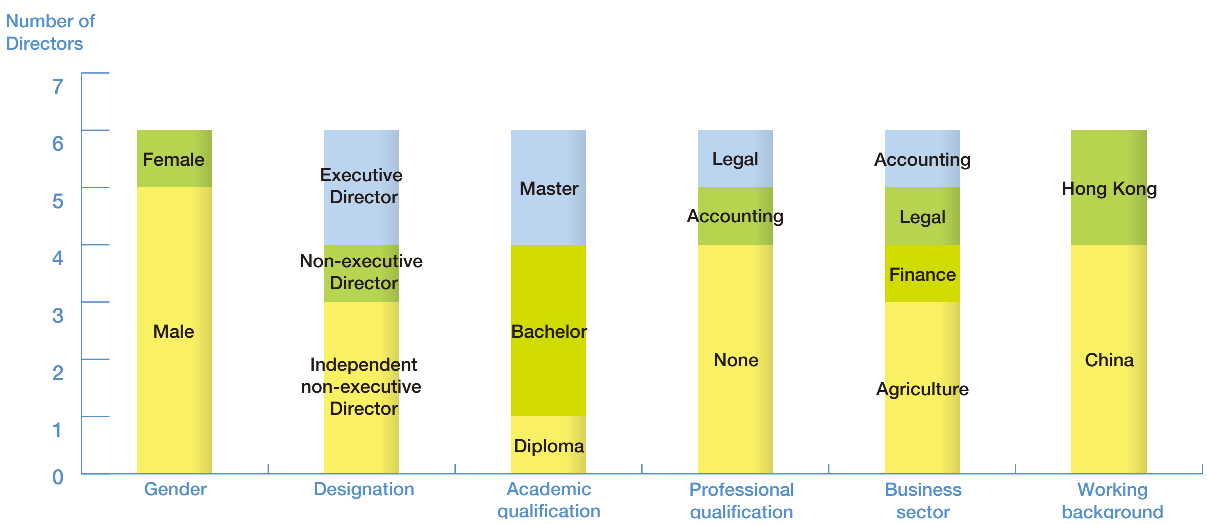
4) A prescribed proportion of members on the Board possessing accounting or other professional qualifications;

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

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

Directors' Training

Pursuant to the CG Code, all 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 Director		
Gao Dongsheng		✓
Independent non-executive Directors		
Dong Hongxia		✓
Ng Kwok Pong		✓
Yeung Kit Lam		✓

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, unless terminated by not less than three months' notice in writing served by either party at any time during the then existing term.

DIRECTORS' AND OFFICER'S LIABILITY INSURANCE AND INDEMNITY

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

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	2021 ***HK$'000***	2020 *HK$'000*
Fees	**1,472**	1,421
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**—**	—
Pension scheme contributions	**213**	176
	213	176
Total	**1,685**	1,597

(a) Independent non-executive Directors

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

	Director's fees *HK$'000*	**Basic salaries, housing benefits, other allowances and benefits in kind** *HK$'000*	**Pension contributions** *HK$'000*	**Total remuneration** *HK$'000*
2021				
Dong Hongxia (a)	123	—	20	143
Ng Kwok Pong	240	—	—	240
Yeung Ki Lam	240	—	—	240
Total	603	—	20	623
2020				
Dong Hongxia (a)	64	—	—	64
Ng Kwok Pong	240	—	—	240
Yeung Ki Lam	240	—	—	240
Zhao Jin (b)	67	—	—	67
Total	611	—	—	611

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 (2020: Nil).

(b) Non-executive Director

The non-executive Director is not entitled to any fees, salaries or management bonuses. There were no emoluments payable to the non-executive Director during the Year (2020: 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*	Pension contributions *HK$'000*	Total remuneration *HK$'000*
2021				
Yuan Weisen (a) and (b)	–	–	–	–
Zhang Zihua (a)	–	–	–	–
Liu Shuhang	869	–	193	1,062
Total	869	–	193	1,062
2020				
Yuan Weisen	–	–	–	–
Zhang Zihua	–	–	–	–
Liu Shuhang	810	–	176	986
Total	810	–	176	986

Remarks:

(a) According to the Directors' service contracts entered into between the Company and each of Mr. Yuan Weisen and Mr. Zhang Zihua, Mr. Yuan and Mr. Zhang were/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	1
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.

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. The management of the Company is of the view that the Group will continue its operation in foreseeable future for reasons stated as set out in note 2.2 to the consolidated financial statements.

MANAGEMENT FUNCTIONS

The Board decides on corporate strategies, establishes and maintains appropriate and effective risk management and internal control systems, approves overall business plans and supervises the Group's financial performance, management and organisation on behalf of the Shareholders. Specific tasks that the Board delegates to the management of the Group include the preparation of annual and interim 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 "**Audit Committee**") of the Company, the Nomination Committee, the Remuneration Committee and the corporate governance committee (the "**Corporate Governance Committee**") of the Company 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 (chairman of the Audit 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 "**Auditor**") of the Company. 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 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.

During the Year, the Audit Committee held three meetings.

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, evaluates the nomination policy, assesses the independence of the independent non-executive Directors and makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" 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 the structure, size and composition of the Board, evaluate the nomination policy of the Company, assess the independence of the independent non-executive Directors and make recommendation to the Board on the re-election and appointment of the Directors at the forthcoming AGM.

REMUNERATION COMMITTEE

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 (chairman of the Remuneration 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 the Directors and approves the terms of the Directors' service contracts. The Board has adopted remuneration policy of the Directors on the basis of their merit, qualification and competence with reference to the market benchmarks.

During the Year, the Remuneration Committee held one meeting to review and make recommendations to the Board on the remuneration packages of the executive Directors and the senior management.

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 (chairman of the Corporate Governance 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.

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.

During the Year, the Corporate Governance Committee held one meeting.

EXECUTIVE COMMITTEE

At the date of this report, the Executive Committee comprises two executive Directors, namely Mr. Liu Shuhang (chairman of the Executive 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 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 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 2021, the Auditor's remuneration amounted to HK$4,400,000 was incurred for the audit services provided by Mazars CPA Limited.

During the Year, service fees for the review of interim report and limited assurance to report on the continuing connected transactions in the aggregate amount of HK$682,000 were paid as professional fee to Mazars CPA Limited for the provision of non-audit services to the Group.

The statement about the Auditor's reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on page 61 of this report.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chan Sing Fai, is responsible for supporting the Board, ensuring good information flow within the Board and that the Board policies and procedures are followed, advising the Board on corporate governance matters, facilitating induction and monitoring the training and continuous professional development of the Directors. He has attained no less than 15 hours of relevant professional training during the Year. Mr. Chan's biography is set out on page 21 of this report.

INVESTOR RELATIONS

The Group establishes and maintains different communication channels with the Shareholders through the publication of annual and interim reports, information on the Stock Exchange, a corporate website, and general and investor meetings held either face-to-face or via telephone conference calls. The Group reports the financial performance of the Company to the Shareholders twice a year and maintains a regular dialogue with investors.

The AGM provides a useful forum for the Shareholders to exchange views with the Board. The chairman/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 21 days prior to the AGM. Separate resolutions are proposed at the AGM 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 2021, details of the 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%**	**388.8**
HK Bloom	**2,508,407,357**	**28.2%**	**311.0**
Public float in Hong Kong	**3,263,489,164**	**36.6%**	**404.7**
Total	**8,907,405,717**	**100.0%**	**1,104.5**

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 was held on 27 May 2021 to approve the 2020 audited consolidated financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of the Directors. All resolutions proposed were passed by way of poll.

The 2022 AGM will be held on 6 June 2022 to approve, among others, the 2021 audited consolidated financial statements, grant of the new issue mandate and the repurchase mandate and the re-election of the Directors.

DIVIDEND POLICY

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

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

2. Subject to the factors mentioned 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 significant control failings or weaknesses that have been identified by the Audit Committee during the Year.

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

Internal audit department

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

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

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

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

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 2021	Key risk mitigations
Financial risks:		
Liquidity risk of inadequate funding	Suspension of productions increased the liquidity risk	Resumption of Relevant Properties to improve the liquidity of the Group and introduction of potential investors to raise fund for partial resumption of production facilities
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 implement the debt restructuring plan
Compliance risk:		
Default of repayment of loan agreement(s)	Creditor(s) applied for preservation order(s) from the court to request for settlement by the Group	Settlement agreements have been reached between the respective parties and the Group has been seeking legal advice for on-going cases
	Creditor(s) has applied to the court to wind up a subsidiary which is insolvent	Sought legal advice and protected significant portion of the assets before the winding up of subsidiary
Strategic risk:		
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; explore new export markets for the Group's products

Risk description	Changes in 2021	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 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

In 2021, 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 Company has been publishing the Environmental, Social and Governance report (the "**ESG Report**") on the websites of the Company and the Stock Exchange on an annual basis. Please view and download the ESG Report from the Company's website at http://www.globalbiochem.com under the heading "Investor Relations" or the website of the Stock Exchange.

CONSTITUTIONAL DOCUMENT

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

SHAREHOLDERS' RIGHTS

1. Procedures for 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 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.

Report of the Directors

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 18 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 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 events affecting the Group subsequent to the Year under review" on page 16 to page 17 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 18 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 62 to page 149 of this report.

The Directors do not recommend the payment of any dividend for the Year (2020: 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 150 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 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 2021, the Company did not have reserves available for distribution, calculated in accordance with the provisions of the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the "**Companies Act**") of the Cayman Islands. Under the Companies Act, the share premium of the Company of approximately HK$3,137,033,000 as at 31 December 2021 is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium 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 48.7% of the total sales for the Year, and sales to the largest customer included therein accounted for 21.1% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for 33.8% of the total purchases for the Year and the purchase from the largest supplier included therein accounted for 8.1% 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 minimise the possible negative impact on the Group's business and profitability resulting from the discontinuance of order from any major customer.

Suppliers

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

Shareholders

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

DIRECTORS

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

Executive Directors:

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

Non-executive Director:

Gao Dongsheng

Independent non-executive Directors:

Dong Hongxia
Ng Kwok Pong
Yeung Kit Lam

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. Zhang Zihua and Mr. Ng Kwok Pong will retire as Directors. Mr. Zhang Zihua and Mr. Ng Kwok Pong, 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 19 to page 21 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 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 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 Director/independent 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 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 the Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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, 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 and the New Master Sales Agreement, please refer to the section headed "Continuing Connected Transactions" on page 52 to page 53 of this 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 "Continuing Connected Transactions" on page 52 to page 53 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 2021, 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 2021, 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)	1,749,858,609	19.64

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 of the Company 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, the investment capital of PRC LLP is owned as to 60.0% by Nongtou (Nongtou is controlled by 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province*) ("**Jilin SASAC**")), as to 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.*) and as to 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.*). Accordingly, each of Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the shares of the Company held by Modern Agricultural in the Company under the SFO).

(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 2021, 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 of the Company.

As at 31 December 2021, 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.

CONTINUING CONNECTED TRANSACTIONS

On 27 November 2020, the Company and the Nongtou Subsidiaries entered into (i) the New Master Supply Agreement in relation to the supply of corn kernels by the Nongtou Subsidiaries Group to the Group on an ongoing basis; and (ii) the New Master Sales Agreement in relation to the supply of 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 the Group to the Nongtou Subsidiaries Group on an ongoing basis.The New Master Supply Agreement and the New Master Sales Agreement will expire on 31 December 2023. During the Year, due to the suspension of operation of most of the Group's production facilities, there was no purchase of corn kernels by the Group from the Nongtou Subsidiaries Group under the New Master Supply Agreement nor any sale of Corn starch and Other Products by members of the Group to the Nongtou Subsidiaries Group under the New Master Sales Agreement.

Pursuant to the New Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with the Nongtou Subsidiaries Group from time to time during the term of the New 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 New Master Supply Agreement, at pricing terms and otherwise on terms in compliance with those set out in the New Master Supply Agreement.

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

(1) the latest average unit corn price in Liaoning Province, Jilin Province and Heilongjiang Province as published and 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 placing 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 placing of purchase order by any member of the Group; and

(3) the highest corn price in each of Liaoning Province, Jilin Province and Heilongjiang Province (whichever is applicable) obtained from China Corn Network (www.yumi.com.cn), an independent third party price consulting platform, on the date immediately before the proposed date of the placing of purchase order by any member of the Group.

Pursuant to the New Master Sales Agreement, the Nongtou Subsidiaries Group shall enter into purchase orders or sales contracts with members of the Group from time to time during the term of the New Master Sales Agreement for the purpose of confirming the purchase of Corn Starch and Other Products by the respective members of the Nongtou Subsidiaries Group. Such purchase orders or sales contracts shall specify the detailed terms of such purchase, including but not limited to the form of delivery, payment and remittance time and method (if there is any delay in payment by any member of the Nongtou Subsidiaries Group, interest rate of interest chargeable by the Group shall not be lower than (a) the payment overdue interest rate charged by the Group to the independent customers from time to time; and (b) the payment overdue interest rate charged by the Nongtou Subsidiaries Group 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 New Master Sales Agreement, at pricing terms and otherwise on terms in compliance with those set out in the New Master Sales Agreement.

Under the New Master Sales Agreement, the Group shall supply Corn Starch and Other Products to the Nongtou Subsidiaries Group at market rates and the unit price charged by the Group shall not be lower than the average unit price of Corn Starch and Other Products of the same or similar type sold by the Group to independent third parties in the most recent one-month period (price exclusive of transportation and storage costs, insurance costs, interest and/or other handling charges). In determining the market rates, the Group refers to price information obtained from other industry players in different regions of the PRC from time to time in preparing the price quotations for its customers.

As the Nongtou Subsidiaries comprise of (i) 吉林糧食資產管理有限公司 (Jilin Grain Asset Management Co., Ltd.*), which is principally engaged in the investment in agriculture and asset management in agriculture sector; and (ii) 吉林農投糧食集團有限公司 (Jilin Nongtou Grain Group Co., Ltd.*), which are wholly owned by Nongtou. Nongtou is a controlling Shareholder 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 New Master Supply Agreement and the New 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 New Master Supply Agreement and the New Master Sale Agreement are fair and reasonable, and the continuing connected transactions as contemplated under the New Master Supply Agreement and the New 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. The Company had also complied with all disclosure requirements applicable to the above continuing connected transactions under Chapter 14A of the Listing Rules.

Save for the above continuing connected transactions, the other related party transactions entered into between the Group and the Nongtou Subsidiaries 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.

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.

FUNDRAISING ACTIVITIES

Subscription of new shares under the general mandate

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

The Company is in communication with Rationale Holdings and the relevant government authorities in the PRC on the timing of completion of the 2022 Subscription, which has been delayed due to the recent outbreak of COVID-19 in China. Further announcement will be made by the Company when the 2022 Subscription proceeds to completion.

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 the loan agreement to the Jinzhou Dacheng BOC Loan (the "**Jinzhou Dacheng BOC Loan Agreement**") entered into between Jinzhou Dacheng and Jinzhou BOC in respect of the Jinzhou Dacheng BOC Loan, Jinzhou Dacheng was required to satisfy certain financial covenants. Failure to comply with such financial covenants entitles the Jinzhou BOC to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Jinzhou Dacheng BOC Loan immediately due and payable. The outstanding principal amount of the Jinzhou Dacheng BOC Loan was RMB19.8 million as at 31 December 2021. The Jinzhou Dacheng BOC Loan has been guaranteed by GSH and certain members of the GSH Group have also provided guarantees and securities to secure the Jinzhou Dacheng BOC Loan. Jinzhou Dacheng has failed to fulfill certain financial covenants under the Jinzhou Dacheng BOC Loan Agreement. Such breach entitles Jinzhou BOC to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Jinzhou Dacheng BOC 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.

For the latest development of the Jinzhou Dacheng BOC Loan, please refer to the section headed "Important events affecting the Group subsequent to the year under review" on page 16 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 others, 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*) 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 disclosed in the announcement of the Company dated 8 March 2022, China Cinda has entered into transfer agreements with Export-Import Bank, pursuant to which Export-Import Bank has agreed to sell, and China Cinda has agreed to purchase, all of the rights and benefits of the loans owed by, among others, the Group with an aggregate outstanding principal amount of approximately RMB1.2 billion and together with the outstanding interest and the related security documents (the "**Export-Import Bank Transferred Loans**") which included the GBT Jilin Branch Export-Import Loan and the portion of the GBT Syndicated Loan owed to Export Import Bank.

(3) Reference is made to the joint announcement of the Company and GSH dated 4 May 2020. Under the various loan agreements (collectively, the "**Yuancheng Loan Agreements**") entered into between Jinzhou Yuancheng, and each of Jinzhou CCB and Jinzhou BOC for the aggregate principal amount of RMB219.9 million (the "**Yuancheng Loans**"), comprising of (i) the Yuancheng CCB Loans and (ii) the Yuancheng BOC Loan, Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle the Jinzhou CCB and Jinzhou BOC to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loans immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group.

Reference is also made to the joint announcement of the Company and GSH dated 27 April 2021 regarding the default in the repayment of the Yuancheng BOC Loan. The outstanding principal amount of the Yuancheng BOC Loan is RMB30.0 million, together with outstanding interests. The maximum liability guaranteed by the GSH Group is RMB36.8 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the Yuancheng BOC Loan.

With respect to the Yuancheng CCB Loans, Jinzhou CCB has applied to the Shenyang Intermediate Court, and the Shenyang Intermediate Court has granted, an order for preservation of the bank balance (or assets of equivalent value) of certain members of the Group and the GSH Group in respect of the Yuancheng CCB Loans.

As at the date of this report, the outstanding principal amount under the Yuancheng Loan Agreements is approximately RMB218.7 million.

For the latest development of the Yuancheng BOC Loan and Yuancheng CCB Loans, please refer to the section headed "Important events affecting the Group subsequent to the year under review" on page 16 of this report.

(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 Company with each of 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.*) ("**Nongan Branch ABC**") and Changchun CCB with aggregate outstanding principal amounts of RMB920.0 million (excluding loans of the GSH Group) together with outstanding interest (the "**GBT ABC Loan**") and RMB740.0 million together with outstanding interest (the "**GBT CCB Loan**") respectively, that have become immediately due and payable before their maturity 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 outstanding principal amounts under the GBT ABC Loan and the GBT CCB Loan are approximately RMB920.0 million and RMB740.0 million, respectively. The maximum liability guaranteed by the Company under the GBT ABC Loan is RMB1,660.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements and certain subsidiaries of the Company have also provided collaterals to secure such loan. The maximum 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 outstanding principal amount of RMB180.0 million together with outstanding interest (the "**GSH ABC Loan**") has become immediately due and payable before its maturity date in June 2021 in contemplation of the debt restructuring plan of the Group and the GSH Group. 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. The maximum liability guaranteed by GSH is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under such loan agreement. Certain subsidiaries of GSH have also provided collaterals to secure such loan.

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

Reference is made to the joint announcement of the Company and GSH dated 23 December 2020 in relation to, among others, 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 (i) the loans owed by, among others, the Group and the GSH Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and the aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") at a consideration of approximately RMB414.7 million; and (ii) the loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1,983.5 million and the aggregate outstanding interest of approximately RMB128.5 million (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 portion of the GBT Syndicated Loan owed to Changchun CCB.

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

SUPPLEMENTARY INFORMATION IN RELATION TO THE YEAR UNDER REVIEW

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

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 operating environment in 2022 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. The PRC is expected to face continuous challenges from shrinking demand, supply shock and power shortage. In addition, the ongoing structural changes in its economy for more sustainable growth in the future is expected to add temporary pressure to many businesses. With respect to the Group's business, corn price is expected to remain high in 2022. Coupled with the increasingly competitive operating environment of the lysine and sweetener markets, 2022 will be a challenging year ahead for the Group.

As at the date of this report, the suspensions of operation as disclosed in the Suspension of Operation Announcements remained. In addition, due to the recent spike in COVID-19 infection cases in Changchun and Shanghai, the municipal governments have imposed orders to lock down Changchun and Shanghai since March 2022. The lockdown has limited the mobility of manpower across different industries and caused disruptions to the logistics network and necessitated the temporary suspension of production operation of the Group's production facilities in Shanghai. It is also expected to delay the plan for the resumption of operation of the Group's production facilities in Changchun. The continued suspension of operation or low facility utilisation rate had an adverse impact on the performance and financial positions of the Group. 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 interim report of the Company for the six months ended 30 June 2021, in relation to, among others, the relocation of production facilities of the Group to the Xinglongshan site and the resumption of the Relevant Properties.

Due to the challenging economic environment and the continued impact of the COVID-19 pandemic, the initial plan for the relocation of the Group's production facilities has been adjusted and some of the relocation projects has been put on hold in light of the continuously changing market conditions and pending the availability of capital and favourable market conditions. The Group will continue to assess the continuously changing market conditions and the progress of the resumption of the Relevant Properties so as to the update and revise the feasibility studies in respect of the relocation projects for submission to, among others, the relevant government bodies for approval. As such, the revised timetable for relocation of production facilities to the Xinglongshan site is updated as follows:

Products to which the production facilities relate	**Production capacity of the relevant production facilities to be relocated** *(MT per annum)*	**Expected time for the relocation of production facilities** (a)
Methanol	165,000	Pending the availability of capital and favourable market condition
Modified starch — food grade (phase 1)	20,000	Pending the availability of capital and favourable market condition
Modified starch (phase 2)	60,000	Pending the availability of capital and favourable market condition
Corn oil	63,000	June 2019 — December 2022
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	20,000	Pending the availability of capital and favourable market condition

Remark:

(a) The expected time for relocation of production facilities to the Xinglongshan site 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 the 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
5 May 2022

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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 62 to page 149, which comprise the consolidated statement of financial position at 31 December 2021, 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 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 31 March 2021 on the consolidated financial statements of the Group for the year ended 31 December 2020.

(i) Financial guarantee contracts

As mentioned in notes 2.2 and 33 to the consolidated financial statements, certain subsidiaries of the Company (the "**Guarantor Subsidiaries**") 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 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 (the "**Confirmation**"). The Financial Guarantee Contracts and the Confirmation were not recognised in the consolidated financial statements. As mentioned in note 2.2 to the consolidated financial statements, the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts were discharged on 31 March 2021. However, since 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 2020 were necessary, which may have a significant impact on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2021.

(ii) Material uncertainty related to going concern

As discussed in note 2.2 to the consolidated financial statements, at 31 December 2021, the Group had net current liabilities and capital deficiency of HK$11,443 million and HK$6,701 million respectively, and the Group has incurred losses since 2012 and reported a loss of HK$435 million for the year ended 31 December 2021. 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 2021. 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 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

5 May 2022

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 2021

	Notes	2021 HK$'000	2020 HK$'000
REVENUE	5	**746,551**	848,867
Cost of sales		**(698,200)**	(774,767)
Gross profit		**48,351**	74,100
Other income and gains	5	**1,406,507**	389,748
Selling and distribution costs		**(63,450)**	(85,876)
Administrative expenses		**(372,761)**	(362,313)
Other expenses		**(635,527)**	(971,237)
Loss on modification of convertible bonds		**—**	(728,190)
Share of loss of a joint venture	18	**(2,004)**	(2,332)
Finance costs	6	**(790,585)**	(724,826)
LOSS BEFORE TAX	7	**(409,469)**	(2,410,926)
Income tax expenses	10	**(25,920)**	(22,340)
LOSS FOR THE YEAR		**(435,389)**	(2,433,266)
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		**(128,279)**	(350,555)
Reclassification adjustment in respect of exchange reserve upon deregistration of a subsidiary		**—**	401
		(128,279)	(350,154)
Items that will not be reclassified subsequently to profit or loss:			
Loss on properties revaluation, net	13	**(160,110)**	—
Income tax effect		**40,028**	—
		(120,082)	—
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(248,361)**	(350,154)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(683,750)**	(2,783,420)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(400,801)**	(2,429,949)
Non-controlling interests		**(34,588)**	(3,317)
		(435,389)	(2,433,266)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(656,559)**	(2,775,616)
Non-controlling interests		**(27,191)**	(7,804)
		(683,750)	(2,783,420)
LOSS PER SHARE			
Basic	12	**HK(4.5) cents**	HK(28.6) cents
Diluted	12	**HK(4.5) cents**	HK(28.6) cents

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**5,381,367**	5,797,334
Right-of-use assets	14	**504,279**	511,082
Deposits paid for acquisition of property, plant and equipment		**902**	45,208
Intangible assets	15	**3,751**	3,751
Interests in an associate	17	**—**	—
Interests in a joint venture	18	**—**	2,004
Equity investment at fair value through other comprehensive income ("**Designated FVOCI**")	19	**208**	208
		5,890,507	6,359,587
CURRENT ASSETS			
Inventories	20	**81,418**	143,367
Trade and bills receivables	21	**112,211**	134,766
Prepayments, deposits and other receivables	22	**376,239**	780,677
Pledged bank deposits	23	**530**	29,874
Cash and bank balances	23	**21,810**	153,323
		592,208	1,242,007
CURRENT LIABILITIES			
Trade and bills payables	24	**1,172,159**	1,357,959
Other payables and accruals	25	**3,252,963**	2,962,845
Due to an associate		**990**	1,410
Due to a joint venture		**145**	4,719
Tax payables		**106,256**	105,569
Interest-bearing bank and other borrowings	26	**7,501,280**	7,925,118
Lease liabilities	27	**1,891**	2,188
		12,035,684	12,359,808
NET CURRENT LIABILITIES		**(11,443,476)**	(11,117,801)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(5,552,969)**	(4,758,214)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**—**	184,524
Lease liabilities	27	**2,247**	—
Deferred income	29	**115,232**	120,839
Deferred tax liabilities	30	**91,522**	103,877
Convertible bonds	28	**938,855**	849,621
		1,147,856	1,258,861
NET LIABILITIES		**(6,700,825)**	(6,017,075)

Consolidated Statement of Financial Position
At 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
CAPITAL AND RESERVES			
Share capital	31	**890,741**	890,741
Reserves		**(7,408,445)**	(6,751,886)
Deficit attributable to owners of the Company		**(6,517,704)**	(5,861,145)
Non-controlling interests		**(183,121)**	(155,930)
TOTAL DEFICIT		**(6,700,825)**	(6,017,075)

These consolidated financial statements on page 62 to page 149 were approved and authorised for issue by the board of directors on 5 May 2022 and signed on its behalf by

Zhang Zihua
Director

Liu Shuhang
Director

Consolidated Statement of Changes in Equity
Year ended 31 December 2021

	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 2021	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)
Loss for the year	-	-	-	-	-	-	-	(400,801)	(400,801)	(34,588)	(435,389)
Other comprehensive loss for the year											
– Exchange realignment	-	-	-	-	-	-	(125,780)	-	(125,780)	(2,499)	(128,279)
– Loss on properties revaluation, net of deferred tax	-	-	(129,978)	-	-	-	-	-	(129,978)	9,896	(120,082)
Total comprehensive loss for the year	-	-	(129,978)	-	-	-	(125,780)	(400,801)	(656,559)	(27,191)	(683,750)
At 31 December 2021	890,741	2,849,298*	745,826*	972,056*	15,677*	113,808*	1,655,726*	(13,760,836)*	(6,517,704)*	(183,121)	(6,700,825)

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	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)

* These reserve accounts comprise the negative reserves of HK$7,408,445,000 (2020: HK$6,751,886,000) 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 Act (Revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

PROPERTIES REVALUATION RESERVE/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 2021

	Note	2021 *HK$'000*	2020 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(409,469)**	(2,410,926)
Adjustments for:			
Finance costs		**790,585**	724,826
Bank interest income		**(271)**	(403)
Loss (Gain) on disposal of property, plant and equipment, net		**379**	(7,022)
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
Gain on debt restructuring		**(1,325,031)**	—
Amortisation of deferred income		**(9,417)**	(7,886)
Depreciation of property, plant and equipment		**378,258**	431,763
Depreciation of right-of-use assets		**24,255**	25,165
Impairment of property, plant and equipment		**—**	124,883
Write-off of property, plant and equipment		**—**	2,404
Loss on properties revaluation, net		**36,457**	—
(Reversal of impairment) Impairment of deposits paid for acquisition of property, plant and equipment, net		**(12,873)**	15,802
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net		**(16,649)**	38,060
(Reversal of impairment) Impairment of trade and bills receivables,net		**(411)**	31,068
Waiver of payables		**—**	(1,286)
Write-down (Reversal of write-down) of inventories, net		**28,591**	(5,112)
Share of loss of a joint venture		**2,004**	2,332
Changes in working capital:			
Inventories		**36,066**	243,447
Trade and bills receivables		**25,942**	112,616
Prepayments, deposits and other receivables		**30,535**	336,639
Pledged deposits		**29,710**	(18,168)
Trade and bills payables		**(216,283)**	(285,971)
Other payables and accruals		**137,225**	171,463
Due to an associate		**(448)**	(281)
Due to a joint venture		**(4,633)**	6,585
Cash used in operations		**(475,478)**	(26,240)
Interest received		**271**	403
Income taxes paid		**—**	(349)
Net cash used in operating activities		**(475,207)**	(26,186)

	Note	**2021 HK$'000**	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(25,812)**	(16,830)
Compensation for resumption of the Dihao Properties received		**418,275**	112,360
Proceeds from disposal of property, plant and equipment		**127**	24,566
Net cash outflow arising on deregistration of a subsidiary		**–**	(1)
Net cash generated from investing activities		**392,590**	120,095
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**–**	132,690
Proceeds from new bank and other borrowings		**416,951**	305,618
Repayment of bank and other borrowings		**(404,268)**	(365,002)
Repayment of lease liabilities		**(3,372)**	(3,840)
Interest paid		**(57,969)**	(95,338)
Net cash used in financing activities		**(48,658)**	(25,872)
Net (decrease) increase in cash and cash equivalents		**(131,275)**	68,037
Cash and cash equivalents at beginning of year		**153,323**	79,509
Effect of foreign exchange rate changes, net		**(238)**	5,777
Cash and cash equivalents at end of year	23	**21,810**	153,323

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

The Group is principally engaged in the manufacture and sale of corn refined products and corn based biochemical products. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2021 (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 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 2020 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$435.4 million (2020: approximately HK$2,433.3 million) for the Year and as at 31 December 2021, the Group had net current liabilities of approximately HK$11,443.5 million (31 December 2020: approximately HK$11,117.8 million) and net liabilities of approximately HK$6,700.8 million (31 December 2020: approximately HK$6,017.1 million). There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee (the "**Audit Committee**") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

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

As announced by the Company and 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 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**") 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.

In addition, as disclosed in the joint announcement of the Company and GSH dated 26 March 2021, each of the GSH Group, the Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") (collectively, the "**BOC Borrowers**") entered into repurchase agreements (collectively, the "**Repurchase Agreements**" and each, a "**Repurchase Agreement**") with 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**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 the loans owed to Changchun Rudder, which included, among others, the loans owed by the GSH Group in the amount of approximately RMB198.6 million with outstanding interest (the "**GSH Indebtedness**"), the loans owed by the Group (excluding the GSH Group) in the amount of approximately RMB1.3 billion with outstanding interest (the "**GBT Indebtedness**") and the indebtedness of Dajincang with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest (the "**Dajincang Indebtedness**"), which were guaranteed by certain subsidiaries of the Group and the GSH Group (collectively, the "**Guarantor Subsidiaries**"). The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreement between Dajincang and Changchun Rudder, all the obligations of the Guarantor Subsidiaries pursuant to the financial guarantee contracts (the "**Financial Guarantee Contracts**") in respect of the Dajincang Indebtedness 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.

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)*

As a result of the completion of the Repurchase Agreements and the discharge of the GBT Indebtedness, the GSH Indebtedness and the Dajincang Indebtedness as set out above, the Group and the GSH Group together recorded a one-off gain on debt restructuring of approximately HK$1,325.0 million, being the difference between the considerations payable to Changchun Rudder and the amounts of the GBT Indebtedness and the GSH Indebtedness; and the write-back of accrued guarantee interest in relation to the discharge of financial guarantees obligations pursuant to the Financial Guarantee Contracts.

Moreover, as announced by the Company on 8 March 2022, 中國進出口銀行 (The Export-Import Bank of China*) ("**Export-Import Bank**") has entered into transfer agreements with China Cinda to transfer all rights and benefits of certain loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1,184.4 million together with outstanding interest (the "**Export-Import Bank Transferred Loans**") to China Cinda.

The Company will endeavour to facilitate the implementation of the next stage of the debt restructuring plan. It is currently expected that the debt restructuring plan in relation to a portion of the loans owed by the Group and the GSH Group could be completed by the end of 2022, pending and subject to the internal approval from the respective creditors and relevant local government authorities. The directors of the Company expect that upon the completion of the debt restructuring plan, the financial position of the Group will improve significantly.

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

The first phase of resumption of land and buildings owned by the Group which are located in Luyuan District, Changchun, the PRC (the "**Relevant Properties**") under the PRC's Slum Redevelopment Policy involved the properties owned by a subsidiary of GSH (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**"). The completion of the Dihao Resumption took place in 2020 and all the compensation in the amount of approximately RMB443.0 million had been received during the first half of the Year. 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 the resumption of the remaining part of the Relevant Properties by the local government will be conducted in stages according to the relevant government policy. The management expects that a substantial part of the remaining Relevant Properties with an aggregate area of not less than 400,000 square metres will be resumed by the local government in 2022. The directors of the Company believe that the proceeds from the resumption of the Relevant Properties will help to relieve the financial and cash flow pressure of the Group during the period of suspension.

(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 as a result of, among others, the coronavirus disease ("**COVID-19**") pandemic. During the Year, the Group has suspended the production operation of most of the Group's production facilities and consolidated its resources in higher efficiency segments.

2.2 GOING CONCERN *(Continued)*

(d) Financial support from the indirect major shareholder

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

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value as at 31 December 2021 amounted to approximately RMB2,323.5 million (31 December 2020: approximately RMB2,347.4 million). It is tasked to consolidate the state-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group, provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group.

(e) Introducing potential investors to the Company

The management of the Company has been looking for opportunities for co-operation and potential investment with different industrial players or investors in order to strengthen the financial positions and the business profile of the Group. As announced by the Company on 19 January 2022, the Company entered into the subscription agreement (the "**2022 Subscription Agreement**") with Rationale (Holdings) Investment Limited ("**Rationale Holdings**") on 19 January 2022, pursuant to which Rationale Holdings has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,781,481,143 new ordinary shares (the "**2022 Subscription Shares**") at the subscription price of HK$0.1345 per 2022 Subscription Share (the "**2022 Subscription**"). The gross proceeds from the 2022 Subscription will amount to approximately HK$239,610,000 and it is estimated that the net proceeds from the 2022 Subscription, after the deduction of relevant expenses, will be approximately HK$239,500,000. The Group will utilise a portion of the proceeds from the 2022 Subscription for the resumption of operation of the Group's upstream production facilities in the Xinglongshan site. The directors of the Company believe that the resumption of operation in the Xinglongshan site will bring in operating cash inflow to the Group in 2022.

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 2020 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 HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows – a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting – a company will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and
- disclosures – a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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 HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 [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 HKAS 1	Disclosure of Accounting Policies [3]
Amendments to HKAS 8	Definition of Accounting Estimates [3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [3]
HKFRS 17	Insurance Contracts [3]
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative information [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 April 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.

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.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

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

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

Associate 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associate and joint venture *(Continued)*

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	20.0%

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

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.

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

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

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

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

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

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.

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

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

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

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).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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.

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 and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivable. 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 2021, a deferred tax asset of approximately HK$380.0 million (2020: HK$417.5 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$7,946.1 million (2020: HK$6,854.9 million) and the remaining deductible temporary difference of approximately HK$3,779.9 million (2020: HK$3,472.0 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 (2020: 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)*

(i) Segment results

Year ended 31 December 2021

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customers	791	1,492	727,325	16,943	–	746,551
Intersegment	579	1,151	–	1,372	(3,102)	–
Revenue	1,370	2,643	727,325	18,315	(3,102)	746,551
Segment results	(369,106)	(340,459)	(84,747)	(78,304)	–	(872,616)
Bank interest income						271
Unallocated income						53,447
Corporate and other unallocated expenses						(123,013)
Gain on debt restructuring						1,325,031
Share of loss of a joint venture						(2,004)
Finance costs						(790,585)
Loss before tax						(409,469)
Income tax expenses						(25,920)
Loss for the year						(435,389)

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
Corporate and other 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)

4. OPERATING SEGMENT INFORMATION *(Continued)*

(ii) Other segment information

Year ended 31 December 2021

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Capital expenditure	10,277	13,985	1,543	7	25,812
Depreciation of property, plant and equipment	135,348	191,723	41,406	9,781	378,258
Depreciation of right-of-use assets (a)	10,428	8,335	1,516	671	20,950
Loss on disposal of property, plant and equipment, net	–	–	379	–	379
Write-down of inventories, net	558	19,796	3,085	5,152	28,591
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net	(4,074)	–	–	(8,799)	(12,873)
(Reversal of impairment) Impairment of trade and bills receivables, net	(709)	(323)	27	594	(411)
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	14,879	(26,571)	(4,957)	–	(16,649)
Loss on properties revaluation, net	3,869	32,588	–	–	36,457

4. OPERATING SEGMENT INFORMATION *(Continued)*

(ii) Other segment information *(Continued)*

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)

Remark:

(a) Depreciation of right-of-use assets that was not attributable to any of the above segments which amounted to HK$3,305,000 (2020: HK$3,664,000) was included in corporate and other unallocated expenses.

(iii) Geographical information

Revenue information based on locations of customers

	2021 ***HK$'000***	2020 *HK$'000*
The PRC	**731,878**	810,306
Asia, the Americas and other regions	**14,673**	38,561
	746,551	848,867

4. OPERATING SEGMENT INFORMATION *(Continued)*

(iii) Geographical information *(Continued)*

Non-current assets information based on locations of assets

	2021 **HK$'000**	2020 HK$'000
The PRC	**5,886,216**	6,355,236
Hong Kong	**4,083**	2,139
	5,890,299	6,357,375

(iv) Information about major customers

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

	2021 **HK$'000**	2020 HK$'000
Corn sweeteners		
Customer A	**111,504**	N/A

The revenue from Customer A was less than 10% of the Group's revenue for the year ended 31 December 2020.

5. REVENUE, OTHER INCOME AND GAINS

	Note	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within HKFRS 15			
Sale of goods (a)		**746,551**	848,867
Other income and gains			
Amortisation of deferred income	29	**9,417**	7,886
Bank interest income		**271**	403
Government grants (b)		**5,345**	31,334
Gain on debt restructuring (c)		**1,325,031**	—
Gain on disposal of property, plant and equipment, net		**—**	7,022
Gain on resumption of the Dihao Properties		**—**	289,356
Foreign exchange gain, net		**—**	13,888
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net		**12,873**	—
Reversal of impairment of prepayments, deposits and other receivables, net		**16,649**	—
Reversal of impairment of trade and bills receivables, net		**411**	—
Waiver of payables		**—**	1,286
Subcontracting income		**5,385**	20,382
Others		**31,125**	18,191
		1,406,507	389,748

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$116,597,000 (2020: HK$132,926,000).

(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.

(c) The details of debt restructuring were set out in note 2.2(a) to the consolidated financial statements.

6. FINANCE COSTS

	Note	2021 HK$'000	2020 HK$'000
Interest on bank and other borrowings		**519,545**	484,066
Finance costs for discounted bills receivables		**—**	558
Interest on financial guarantees given by Nongtou		**20,385**	19,643
Interest on payables to suppliers		**161,348**	161,178
Imputed interest on convertible bonds	28	**89,234**	59,241
Interest on lease liabilities		**73**	140
		790,585	724,826

7. LOSS BEFORE TAX

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

	2021 **HK$'000**	2020 HK$'000
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	**196,868**	223,034
Pension scheme contributions (a)	**72,940**	53,852
	269,808	276,886
Cost of inventories sold (b)	**698,200**	774,749
Depreciation of property, plant and equipment	**378,258**	431,763
Depreciation of right-of-use assets	**24,255**	25,165
Amortisation of deferred income	**(9,417)**	(7,886)
Auditor's remuneration	**4,400**	5,500
Impairment of property, plant and equipment	**—**	124,883
Write-off of property, plant and equipment	**—**	2,404
(Reversal of impairment) Impairment of deposits paid for acquisition of property, plant and equipment, net	**(12,873)**	15,802
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	**(16,649)**	38,060
Research and development costs	**13,348**	14,786
(Reversal of impairment) Impairment of trade and bills receivables, net	**(411)**	31,068
Loss (Gain) on disposal of property, plant and equipment, net	**379**	(7,022)
Gain on resumption of the Dihao Properties	**—**	(289,356)
Gain on debt restructuring	**(1,325,031)**	—
Foreign exchange gain, net	**(1,020)**	(13,888)
Write-down (Reversal of write-down) of inventories, net (c)	**28,591**	(5,112)
Loss on properties revaluation, net	**36,457**	—
Loss on deregistration of a subsidiary	**—**	4,928

Remarks:

(a) During the year ended 31 December 2020, the government of the PRC granted reductions of or exemptions from pension scheme contributions to certain subsidiaries operating in the PRC due to the COVID-19 pandemic.

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

(c) Write-down of inventories comprised write-down of inventories included in other expenses and cost of sales of HK$23,087,000 and HK$5,504,000, respectively, during the Year. (2020: Reversal of write-down of inventories comprised write-down of inventories included in other expenses of HK$5,104,000 and reversal of write-down of inventories included in cost of sales of HK$10,216,000.)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	2021			
	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 (resigned on 9 February 2021)	–	–	–	–
Mr. Zhang Zihua	–	–	–	–
Mr. Liu Shuhang	869	–	193	1,062
Non-executive director				
Mr. Gao Dongsheng	–	–	–	–
	869	–	193	1,062
Independent non-executive directors				
Ms. Dong Hongxia	123	–	20	143
Mr. Ng Kwok Pong	240	–	–	240
Mr. Yeung Kit Lam	240	–	–	240
	603	–	20	623
Chief operating officer				
Mr. Wang Guicheng	–	614	152	766

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

	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	—	—	—	—
Mr. Zhang Zihua	—	—	—	—
Mr. Liu Shuhang	810	—	176	986
Non-executive directors				
Mr. Gao Dongsheng (appointed on 30 June 2020)	—	—	—	—
Ms. Liang Wanpeng (resigned on 30 June 2020)	—	—	—	—
	810	—	176	986
Independent non-executive directors				
Ms. Dong Hongxia (appointed on 30 June 2020)	64	—	—	64
Mr. Ng Kwok Pong	240	—	—	240
Mr. Yeung Kit Lam	240	—	—	240
Mr. Zhao Jin (resigned on 30 June 2020)	67	—	—	67
	611	—	—	611
Chief operating officer				
Mr. Wang Guicheng	—	572	138	710

No emolument was paid or payable by the Group to any of the directors and chief executive of the Company as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2021 and 2020. None of the directors and chief executive of the Company waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

9. FIVE HIGHEST PAID EMPLOYEES

One (2020: 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 (2020: four) highest paid employees who are not directors of the Company are as follows:

	2021 *HK$'000*	2020 *HK$'000*
Salaries, allowances and benefits in kind	**3,657**	3,807
Pension scheme contributions	**201**	200
	3,858	4,007

The highest paid employees fell within the following bands:

	2021 *Number of individuals*	2020 *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 performance related bonus was paid or payable by the Group to any of the highest paid non-director employees during the years ended 31 December 2021 and 2020. 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 during the years ended 31 December 2021 and 2020. The highest paid non-director employees did not waive any emoluments during the years ended 31 December 2021 and 2020.

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 (2020: Nil). No provision for the PRC enterprise income tax has been made as the subsidiaries operating in the PRC incurred tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward during the years ended 31 December 2021 and 2020.

	2021 *HK$'000*	2020 *HK$'000*
Deferred tax		
Origination and reversal of temporary differences, net	**25,920**	22,340
Income tax expenses	**25,920**	22,340

10. INCOME TAX EXPENSES *(Continued)*

Reconciliation of income tax expenses

	2021 **HK$'000**	2020 HK$'000
Loss before tax	**(409,469)**	(2,410,926)
Income tax at applicable tax rate	**(172,313)**	(347,967)
Non-deductible expenses	**61,411**	55,855
Tax-exempt income	**(20,097)**	(25,619)
Unrecognised temporary difference	**1,751**	286,456
Unrecognised tax losses	**265,394**	77,509
Utilisation of previously unrecognised tax losses	**(82,006)**	(43,515)
Recognition of previously unrecognised deferred taxes and reversal of deferred taxes	**(28,220)**	19,621
Income tax expenses	**25,920**	22,340

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

11. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the Year (2020: 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$400,801,000 (2020: HK$2,429,949,000), and the weighted average number of ordinary shares in issue during the Year of 8,907,405,717 (2020: 8,507,940,377) 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 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount — Year ended 31 December 2021	**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 2021	**4,738,884**	**632,097**	**14,688**	**411,665**	**5,797,334**
Additions	**—**	**1,322**	**679**	**23,811**	**25,812**
Loss on properties revaluation, net	**(196,567)**	**—**	**—**	**—**	**(196,567)**
Disposals	**—**	**(488)**	**(18)**	**—**	**(506)**
Depreciation	**(222,969)**	**(151,250)**	**(4,039)**	**—**	**(378,258)**
Exchange realignment	**107,508**	**15,417**	**314**	**10,313**	**133,552**
At 31 December 2021	**4,426,856**	**497,098**	**11,624**	**445,789**	**5,381,367**

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

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 2021					
At cost	**–**	**10,135,108**	**188,545**	**623,739**	**10,947,392**
At valuation	**4,426,856**	**–**	**–**	**–**	**4,426,856**
Accumulated depreciation and impairment losses	**–**	**(9,638,010)**	**(176,921)**	**(177,950)**	**(9,992,881)**
	4,426,856	**497,098**	**11,624**	**445,789**	**5,381,367**
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

Leasehold buildings

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

At 31 December 2021, the Group has not obtained building certificates for certain leasehold buildings with a total carrying amount of HK$1,443,658,000 (2020: HK$1,975,921,000).

Had the Group's leasehold buildings been carried under the cost model, their carrying amount at 31 December 2021 would have been approximately HK$3,907,471,000 (2020: HK$4,018,035,000).

The Group's leasehold buildings owned by a subsidiary of the GSH Group which are located in Luyuan District in Changchun and other leasehold buildings were revalued at 30 September 2021 and 31 December 2021, respectively, by Roma Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value of HK$4,426,856,000 based on their then existing use. A loss on properties revaluation of HK$160,110,000 (before income tax effect) was recognised in other comprehensive income and debited to properties revaluation reserve and a loss on properties revaluation of approximately HK$36,457,000 was recognised in profit or loss during the year ended 31 December 2021.

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 30 September 2021/31 December 2021 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	—	—	4,402,955	4,402,955
Residential properties	—	1,341	22,560	23,901
	—	1,341	4,425,515	4,426,856

During the years ended 31 December 2021 and 2020, 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 2021 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 years are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	**4,737,574**	4,815,351
Additions and transfer from construction in-progress	**—**	158
Loss on properties revaluation, net	**(196,567)**	—
Depreciation	**(222,895)**	(228,414)
Disposals	**—**	(11,308)
Resumption	**—**	(104,871)
Exchange realignment	**107,403**	266,658
At 31 December	**4,425,515**	4,737,574

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 30 September 2021 (leasehold buildings owned by a subsidiary of the GSH Group) and 31 December 2021 (other leasehold buildings) 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)	RMB540 – RMB4,400	RMB650 – RMB2,100

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 31 December 2019.

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.

14. RIGHT-OF-USE ASSETS

	Land HK$'000	Office premises HK$'000	Total HK$'000
Reconciliation of carrying amount — Year ended 31 December 2021			
At 1 January 2021	**508,943**	**2,139**	**511,082**
Addition	**—**	**5,249**	**5,249**
Depreciation	**(20,950)**	**(3,305)**	**(24,255)**
Exchange realignment	**12,203**	**—**	**12,203**
At 31 December 2021	**500,196**	**4,083**	**504,279**
Reconciliation of carrying amount — Year ended 31 December 2020			
At 1 January 2020	557,879	5,803	563,682
Resumption	(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
At 31 December 2021			
Cost	**840,262**	**16,242**	**856,504**
Accumulated depreciation and impairment losses	**(340,066)**	**(12,159)**	**(352,225)**
	500,196	**4,083**	**504,279**
At 31 December 2020			
Cost	819,757	10,993	830,750
Accumulated depreciation and impairment losses	(310,814)	(8,854)	(319,668)
	508,943	2,139	511,082

The leasehold land is granted with remaining lease terms ranging from 9 to 50 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

	HK$'000
Reconciliation of carrying amount — Years ended 31 December 2020 and 31 December 2021	
At 1 January 2020, 31 December 2020, 1 January 2021 and **31 December 2021**	**3,751**
At 31 December 2021	
Cost	**5,290**
Accumulated impairment losses	**(1,539)**
	3,751
At 31 December 2020	
Cost	5,290
Accumulated impairment losses	(1,539)
	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	Kind of legal entitiy	Particulars of registered/paid-up capital	Proportion of ownership interests held by the Group	Principal activities
GSH	Cayman Islands	Limited liability company	HK$152,758,600	64	Investment holding
Changchun Dihao Foodstuff Development Co., Ltd.#	The PRC	Limited liability company	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	Limited liability company	US$62,504,000	64	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd.#	The PRC	Limited liability company	US$7,770,000	64	Manufacture and sale of corn sweeteners
Shanghai Haocheng Foods Development Co., Ltd.#	The PRC	Limited liability company	US$9,668,000	64	Manufacture and sale of corn sweeteners
Harbin Dacheng Bio Technology Co., Ltd.#	The PRC	Limited liability company	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	Limited liability company	RMB193,000,000	100	Investment holding
Changchun Baocheng Bio-chem Development Co., Ltd.#	The PRC	Limited liability company	US$49,227,952	100	Manufacture and sale of corn based biochemical products
Changchun Dahe Bio Technology Development Co., Ltd.#	The PRC	Limited liability company	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	Limited liability company	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	Limited liability company	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	
	2021 HK$'000	2020 HK$'000
Percentage of equity interest held by NCI	**36%**	36%
Revenue, other income and gains	**873,789**	1,078,153
Costs and expenses	**(971,718)**	(1,068,667)
Income tax credit (expenses)	**1,667**	(18,212)
Loss for the year	**(96,262)**	(8,726)
Other comprehensive income (loss)	**20,545**	(11,696)
Total comprehensive loss for the year	**(75,717)**	(20,422)
Loss for the year attributable to NCI	**(34,654)**	(3,141)
Total comprehensive loss for the year attributable to NCI	**(27,258)**	(7,352)
Dividends paid to NCI	**—**	—
Current assets	**255,531**	611,806
Non-current assets	**679,546**	692,718
Current liabilities	**(1,381,078)**	(1,496,900)
Non-current liabilities	**(54,574)**	(232,482)
Net liabilities	**(500,575)**	(424,858)
Carrying amount of NCI	**(180,207)**	(152,949)
Net cash flows (used in) from:		
Operating activities	**(283,862)**	(20,198)
Investing activities	**383,121**	104,337
Financing activities	**(112,926)**	(94,612)

17. INTERESTS IN AN ASSOCIATE

Interests in the associate represents 40% (2020: 40%) of the registered and paid-in capital of Changchun Dacheng Hexin Technology Development Co., Ltd. ("**Dacheng Hexin**"), a company incorporated in the PRC. It is principally engaged in the manufacture and sale of botanical straw based sweetener products in the PRC.

The Group has discontinued the recognition of its share of losses of Dacheng Hexin when applying the equity method because the share of losses of Dacheng Hexin exceeded the Group's interests in Dacheng Hexin and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of Dacheng Hexin for the Year and cumulatively were HK$1,230,000 (2020: HK$1,074,000) and HK$9,761,000 (2020: HK$8,531,000) respectively.

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

	2021 ***HK$'000***	2020 *HK$'000*
Gross amounts:		
Current assets	**7,876**	9,384
Non-current assets	**59,132**	57,724
Current liabilities	**(88,112)**	(87,516)
Net liabilities	**(21,104)**	(20,408)

	2021 ***HK$'000***	2020 *HK$'000*
Gross amounts:		
Revenue	**–**	–
Loss and total comprehensive loss	**(3,075)**	(2,685)

18. INTERESTS IN A JOINT VENTURE

	2021 ***HK$'000***	2020 *HK$'000*
Goodwill	**12,115**	12,115
Share of net liabilities	**(9,992)**	(7,988)
Unrealised portion of the gain on disposal of a parcel of land	**(2,123)**	(2,123)
	–	2,004

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:

	2021	2020
	HK$'000	*HK$'000*
Gross amounts:		
Current assets	**3,982**	4,744
Non-current assets	**40,239**	35,509
Current liabilities	**(74,636)**	(58,616)
Net liabilities	**(30,415)**	(18,363)
Included in above:		
Cash and cash equivalents	**52**	45
Financial liabilities (excluding trade and other payables and provisions)	**(51,377)**	(48,728)
Reconciliation:		
Gross amount of equity	**(30,415)**	(18,363)
Group's ownership interests	**43.5%**	43.5%
Group's share of net liabilities (limited to investment cost)	**(9,992)**	(7,988)
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
Gross amounts:		
Revenue	**4,854**	4,553
Loss and total comprehensive loss	**(12,052)**	(5,360)
Included in above:		
Depreciation and amortisation	**(3,417)**	(3,537)
Interest income	**—**	—
Interest expense	**4**	—
Group's share of loss of a joint venture (limited to carrying amount of interests in 2020)	**(2,004)**	(2,332)

19. DESIGNATED FVOCI

	2021	2020
	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

	2021	2020
	HK$'000	*HK$'000*
Raw materials	**67,810**	122,832
Finished goods	**13,608**	20,535
	81,418	143,367

21. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**558,188**	573,288
Bills receivables	**–**	595
	558,188	573,883
Loss allowance	**(445,977)**	(439,117)
	112,211	134,766

The Group normally allows credit terms of 30 to 90 days (2020: 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:

	2021 HK$'000	2020 HK$'000
Within 1 month	**70,991**	94,662
1 to 2 months	**24,910**	23,275
2 to 3 months	**11,980**	6,556
3 to 6 months	**1,187**	8,617
Over 6 months	**3,143**	1,656
	112,211	134,766

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**45,365**	32,809
Deposits and other debtors	**87,321**	95,494
PRC value-added tax ("**VAT**") and other tax receivables	**99,506**	103,441
Receivables from disposal of assets (a)	**144,047**	140,617
Receivables from resumption of the Dihao Properties	**—**	408,316
	376,239	780,677

Remark:

(a) Included in the receivables from disposal of assets was the remaining consideration receivable in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land located in Luyuan District in Changchun during the year ended 31 December 2014, which amounted to approximately HK$121,951,000 (31 December 2020: HK$119,048,000) at 31 December 2021.

23. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**21,810**	153,323
Pledged bank deposits	**530**	29,874
	22,340	183,197
Less: pledged bank deposits for issuance of bills payables	**(530)**	(29,874)
	21,810	153,323

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$7,979,000 (2020: HK$156,279,000). Renminbi held by subsidiaries in the PRC is not freely convertible into other currencies. However, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

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

In respect of the loans in the aggregate principal amount of RMB189.9 million and outstanding interest accrued thereon due to 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) ("**Jinzhou CCB**"), preservation of the bank balances (or assets of equivalent value) of approximately RMB213.9 million (2020: nil) of certain members of the Group and the GSH Group was granted by the order of the court in the PRC in favour of Jinzhou CCB.

23. CASH AND CASH EQUIVALENTS *(Continued)*

In respect of the loans in the aggregate principal amount of RMB49.8 million and outstanding interest accrued thereon due to 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*) ("**Jinzhou BOC**"), preservation of the bank balances (or assets of equivalent value) of approximately RMB55.5 million (2020: nil) of the GSH Group was granted by the order of the court in the PRC in favour of Jinzhou BOC.

24. TRADE AND BILLS PAYABLES

	2021 *HK$'000*	2020 *HK$'000*
Trade payables		
— To third parties	**875,581**	991,094
— To the Nongtou Group (a)	**296,578**	343,055
	1,172,159	1,334,149
Bills payables	**—**	23,810
	1,172,159	1,357,959

Remark:

(a) The trade payables to the Nongtou Group are unsecured and interest-bearing at 7.2% to 12.0% per annum (2020: 7.2% to 12.0% per annum) after the lapse of the credit periods.

The Group normally obtains credit terms ranging from 30 to 90 days (2020: 30 to 90 days) from its suppliers.

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:

	2021 *HK$'000*	2020 *HK$'000*
Within 1 month	**64,993**	44,092
1 to 2 months	**8,912**	19,021
2 to 3 months	**3,024**	7,412
Over 3 months	**1,095,230**	1,287,434
	1,172,159	1,357,959

25. OTHER PAYABLES AND ACCRUALS

	2021 **HK$'000**	2020 HK$'000
Accruals for employee benefits	**571,447**	416,656
Payables for purchases of machinery	**124,349**	126,825
Receipts in advance (a)	**92,211**	114,377
Payables to the Nongtou Group (b)	**684,019**	713,766
VAT and other duties payables	**213,474**	196,008
Accruals and other creditors	**1,567,463**	1,395,213
	3,252,963	2,962,845

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:

	2021 **HK$'000**	2020 HK$'000
At 1 January	**114,377**	131,449
Recognised as revenue	**(116,597)**	(132,926)
Receipt of advances or recognition of receivables	**92,211**	114,377
Exchange realignment	**2,220**	1,477
At 31 December	**92,211**	114,377

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that were unsatisfied (or partially unsatisfied) at 31 December 2021 and 2020 were parts of contracts that had an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

(b) The payables represent advances from the subsidiaries of Nongtou which are unsecured, interest-bearing at 7.2% to 12.0% per annum (2020: 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 (2020: 3.5% per annum).

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate	**Maturity**	***HK$'000***	Effective interest rate	Maturity	*HK$'000*
Current						
Short term bank borrowings – secured	**5.9%-8.0%**	**On demand/ 2022**	**1,788,564**	5.9%-8.0%	On demand/ 2021	1,562,049
Short term bank borrowings – unsecured	**4.5%-10.0%**	**On demand/ 2022**	**883,903**	6.8%-10.0%	On demand/ 2021	861,786
Other borrowings – secured	**5.5%-6.6%**	**On demand**	**3,229,850**	5.5%-6.6%	On demand	3,940,390
Other borrowings – unsecured (a)	**5.7%-13.6%**	**On demand**	**1,598,963**	5.7%-13.6%	On demand	1,560,893
			7,501,280			7,925,118
Non-current						
Bank borrowings – secured	**–**	**–**	**–**	7.0%	2022-2023	184,524
			–			184,524
			7,501,280			8,109,642

Analysed into:	**2021** ***HK$'000***	2020 *HK$'000*
Bank borrowings repayable:		
Within one year or on demand	**2,672,467**	2,423,835
In the second year	**–**	4,762
In the third to fifth years	**–**	179,762
	2,672,467	2,608,359
Other borrowings repayable:		
Within one year or on demand	**4,828,813**	5,501,283
	4,828,813	5,501,283
	7,501,280	8,109,642
Secured	**5,018,414**	5,686,963
Unsecured	**2,482,866**	2,422,679
	7,501,280	8,109,642

Remark:

(a) As at 31 December 2021, the balance included the other borrowings from the subsidiaries of Nongtou amounted to HK$62.4 million (2020: HK$60.9 million) which were unsecured, interest-bearing at 13.6% (2020: 13.6%) per annum and were repayable on demand.

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

	2021 **HK$'000**	2020 HK$'000
Additional information		
Collaterals pledged for security:		
Property, plant and equipment	**2,084,565**	2,053,905
Receivables from disposal of assets	**121,951**	119,048
Right-of-use-assets	**141,092**	118,497
Corporate guarantee by:		
The Company	**6,322,029**	6,624,615
Certain subsidiaries	**418,703**	516,992
Nongtou	**365,854**	594,048
A subsidiary and independent third parties (joint guarantee)	**60,976**	59,524
Denominated in Renminbi	**7,501,280**	8,109,642

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.

The directors of the Company regularly monitor its compliance with these covenants and do not consider it probable that the lenders will exercise their discretion to demand immediate repayment so long as the Group continues to make payments according to the schedule of the loans. Further details of the Group's management of liquidity risk are set out in note 36 to the consolidated financial statements. At 31 December 2021, covenants relating to drawn down facilities amounting to approximately HK$517.8 million (2020: HK$285.3 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$5,620.3 million (2020: HK$7,256.1 million), including the amount of HK$517.8 million (2020: HK$285.3 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

	2021 HK$'000	2020 HK$'000
Current portion	**1,891**	2,188
Non-current portion	**2,247**	—
	4,138	2,188

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 completion of the subscription of an aggregate of 1,228,607,685 new shares at the subscription price of HK$0.1080 per share on 29 April 2020, subject to adjustment) per share upon full conversion.

The Convertible Bonds carry coupon interest at the rate of 0.01% per annum. 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% (2020: 10.0%) 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:

	2021	2020
	HK$'000	*HK$'000*
Equity component		
Fair value of the Convertible Bonds at the Modification Date	**1,814,470**	1,814,470
Fair value of the liability component at the Modification Date	**(842,414)**	(842,414)
	972,056	972,056
Liability component		
Extended Maturity:		
At 1 January/Fair value at the Modification Date	**849,621**	842,414
Imputed interest	**89,234**	7,207
At 31 December	**938,855**	849,621
Original Maturity:		
At 1 January	**–**	1,034,246
Imputed interest	**–**	52,034
At the Modification Date	**–**	1,086,280

29. DEFERRED INCOME

	2021 HK$'000	2020 HK$'000
At 1 January	**120,839**	120,294
Addition	**966**	291
Amortisation	**(9,417)**	(7,886)
Exchange realignment	**2,844**	8,140
At 31 December	**115,232**	120,839

Deferred income represents the receipts of government grants for 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:

	2021 HK$'000	2020 HK$'000
At 1 January	**103,877**	84,109
Charged to profit or loss	**25,920**	22,340
Credited to other comprehensive income/equity	**(40,028)**	(7,590)
Exchange realignment	**1,753**	5,018
At 31 December	**91,522**	103,877

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Depreciation allowances	**263,140**	295,486	**15,248**	11,104
Revaluation of properties	**—**	—	**275,010**	308,478
Deferred income arising from resumption of the Dihao Properties	**—**	—	**117,162**	114,954
Impairment of trade and other receivables	**135**	131	**—**	—
Tax losses	**116,765**	121,918	**—**	—
Others	**—**	—	**64,142**	86,876
	380,040	417,535	**471,562**	521,412
Offsetting	**(380,040)**	(417,535)	**(380,040)**	(417,535)
Deferred tax liabilities, net	**—**	—	**91,522**	103,877

30. DEFERRED TAX *(Continued)*

Unrecognised deferred tax assets arising from:

	2021 HK$'000	2020 HK$'000
Deductible temporary differences	**3,779,863**	3,471,993
Tax losses	**7,946,137**	6,854,948
	11,726,000	10,326,941

Deductible temporary differences of approximately HK$3,779.9 million (2020: HK$3,472.0 million) and tax losses arising in Hong Kong of approximately HK$438.1 million (2020: HK$438.1 million) have no expiry date under current tax legislations. Tax losses arising in the PRC of approximately HK$7,508.0 million (2020: HK$6,416.8 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$611.9 million at 31 December 2021 (2020: HK$682.5 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

	2021 HK$'000	2020 HK$'000
Authorised:		
20,000,000,000 (2020: 20,000,000,000) ordinary shares of HK$0.1 each	**2,000,000**	2,000,000

Issued and fully paid:	2021 No. of shares	2021 HK$'000	2020 No. of shares	2020 HK$'000
At 1 January	**8,907,405,717**	**890,741**	7,678,798,032	767,880
New shares issued	**—**	**—**	1,228,607,685	122,861
At 31 December	**8,907,405,717**	**890,741**	8,907,405,717	890,741

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 2021				
At 1 January 2021	8,109,642	849,621	2,188	8,961,451
Changes from financing cash flows:				
Proceeds from new interest-bearing bank and other borrowings	416,951	–	–	416,951
Repayment of interest-bearing bank and other borrowings	(404,268)	–	–	(404,268)
Repayment of lease liabilities	–	–	(3,372)	(3,372)
Interest paid	(57,969)	–	–	(57,969)
Total changes from financing cash flows	(45,286)	–	(3,372)	(48,658)
Exchange realignment	187,991	–	–	187,991
Other changes:				
Interest expenses	57,969	89,234	73	147,276
Gain on debt restructuring	(809,036)	–	–	(809,036)
Addition of lease	–	–	5,249	5,249
Total other changes	(751,067)	89,234	5,322	(656,511)
At 31 December 2021	7,501,280	938,855	4,138	8,444,273

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 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

33. FINANCIAL GUARANTEE CONTRACTS

The Guarantor Subsidiaries have jointly provided corporate guarantees in respect of the financing facilities granted to Dajincang since 2010. The maximum amount of the financing facilities was RMB2.5 billion at 31 December 2020. Since the management of the Company was unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability in respect of the Financial Guarantee Contracts has been recognised in the Group's annual consolidated financial statements for the year ended 31 December 2020.

During the Year, the Guarantor Subsidiaries have recognised interest of approximately HK$41.1 million (2020: HK$153.5 million) in respect of the Financial Guarantee Contracts, which was recorded in "other expenses" in the consolidated statement of profit or loss and other comprehensive income.

As mentioned in note 2.2(a) to the consolidated financial statements, upon the completion of the Repurchase Agreement between Dajincang and Changchun Rudder on 31 March 2021, the financial guarantee obligation of the Guarantor Subsidiaries pursuant to the Financial Guarantee Contracts had been discharged under the applicable law in the PRC.

34. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Contracted but not provided for:		
Purchase/Construction of property, plant and equipment	**588,259**	574,576

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:

(i) Transactions with related parties

Related party relationship	Nature of transactions	2021 HK$'000	2020 HK$'000
Key management personnel	Short-term employee benefits	**5,813**	5,545
	Post-employment benefits	**832**	733
		6,645	6,278
The Nongtou Group	Purchase of corn kernels	**–**	20,285
	Sale of corn starch and other products	**–**	(15,018)
	Interest on payables	**115,951**	135,142
	Interest on other borrowings	**10,512**	12,506
Nongtou	Guarantees charge	**20,385**	19,643

35. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) Balances with related parties

	2021 **HK$'000**	2020 HK$'000
Due (to) from a joint venture (a)	**(145)**	(4,719)
Due to an associate (a)	**(990)**	(1,410)
Trade payables to the Nongtou Group (b)	**(296,578)**	(343,055)
Other payables to the Nongtou Group (c)	**(684,019)**	(713,766)
Other borrowings from the Nongtou Group (d)	**(62,378)**	(60,893)

Remarks:

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

(b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 7.2% to 12.0% per annum (2020: 7.2% to 12.0% per annum) after the lapse of the credit periods.

(c) The payables represent advances from the subsidiaries of Nongtou which are unsecured, interest-bearing at 7.2% to 12.0% per annum (2020: 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 (2020: 3.5% per annum).

(d) The other borrowings from the Nongtou Group are unsecured, interest-bearing at 13.6% per annum (2020: 13.6% per annum) and payable on demand.

(iii) 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:

	2021 HK$'000	2020 HK$'000
Financial assets at amortised cost		
Trade and bills receivables	**112,211**	134,766
Financial assets included in prepayments, deposits and other receivables	**231,368**	644,426
Pledged bank deposits	**530**	29,874
Cash and bank balances	**21,810**	153,323
	365,919	962,389
Financial liabilities at amortised cost		
Trade and bills payables	**1,172,159**	1,357,959
Financial liabilities included in other payables and accruals	**2,392,105**	2,176,280
Due to an associate	**990**	1,410
Due to a joint venture	**145**	4,719
Interest-bearing bank and other borrowings	**7,501,280**	8,109,642
Convertible Bonds	**938,855**	849,621
Lease liabilities	**4,138**	2,188
	12,009,672	12,501,819

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$71,006,000 (2020: HK$77,357,000).

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 2020.

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 (2020: 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

At the end of the reporting period, the Group had a concentration of credit risk as 21.1% (2020: 7.6%) and 48.7% (2020: 22.9%) of the Group's total trade and bill receivables were due from the Group's largest customer and the five largest customers respectively.

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 2021				
Not past due	**0.4%-0.6%**	**107,531**	**(652)**	**No**
1 to 30 days past due	**0.6%**	**765**	**(5)**	**No**
31 to 90 days past due	**1.1%-1.4%**	**4,622**	**(50)**	**No**
Over 90 days past due	**100.0%**	**445,270**	**(445,270)**	**Yes**
		558,188	**(445,977)**	
At 31 December 2020				
Not past due	0.4% – 0.6%	122,449	(742)	No
1 to 30 days past due	0.6%	7,628	(49)	No
31 to 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)	

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

Credit risk *(Continued)*

Trade and bills receivables *(Continued)*

At 31 December 2021, the Group recognised loss allowance of HK$445,977,000 (2020: HK$439,117,000) on the trade and bills receivables. The movements in the loss allowance for trade and bills receivables during the years are summarised below.

	Notes	**2021** **HK$'000**	2020 HK$'000
At 1 January		**439,117**	383,516
Increase in allowance	7	**1,016**	31,146
Reversal of allowance	7	**(1,427)**	(78)
Exchange realignment		**7,271**	24,533
At 31 December		**445,977**	439,117

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.

At 31 December 2021, the Group recognised loss allowance of HK$112,774,000 (2020: HK$102,600,000) on the other receivables.

The movements in the loss allowance for the balances are summarised below.

	2021 **HK$'000**	2020 HK$'000
At 1 January	**102,600**	72,035
Increase in allowance	**26,116**	25,057
Reversal of allowance	**(15,459)**	(704)
Exchange realignment	**(483)**	6,212
At 31 December	**112,774**	102,600

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

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 2021						
Trade and bills payables	1,172,159	–	–	–	–	1,172,159
Financial liabilities included in other payables and accruals	2,392,105	–	–	–	–	2,392,105
Due to an associate	990	–	–	–	–	990
Due to a joint venture	145	–	–	–	–	145
Interest-bearing bank and other borrowings	5,809,330	42,315	1,799,202	–	–	7,650,847
Convertible Bonds	–	–	–	–	1,086,280	1,086,280
Lease liabilities	–	522	1,393	1,916	348	4,179
	9,374,729	42,837	1,800,595	1,916	1,086,628	12,306,705

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 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

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 might 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 together with outstanding interest.

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 2021 and 2020.

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

	2021 **HK$'000**	2020 HK$'000
Non-current assets		
Investments in subsidiaries	**—**	—
Current assets		
Other receivables	**962**	962
Cash and cash equivalents	**354**	2,240
	1,316	3,202
Current liabilities		
Other payables and accruals	**5,062**	5,454
Financial guarantee contracts	**457,948**	600,944
	463,010	606,398
Net current liabilities	**(461,694)**	(603,196)
Total assets less current liabilities	**(461,694)**	(603,196)
Non-current liabilities		
Convertible bonds	**938,855**	849,621
Financial guarantee contracts	**198,006**	375,014
	1,136,861	1,224,635
NET LIABILITIES	**(1,598,555)**	(1,827,831)
Equity		
Share capital	**890,741**	890,741
Reserves (a)	**(2,489,296)**	(2,718,572)
TOTAL DEFICIT	**(1,598,555)**	(1,827,831)

The statement of financial position was approved and authorised for issue by the board of directors on 5 May 2022 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 2020	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)
Profit and total comprehensive income for the year	–	–	229,276	229,276
At 31 December 2021	3,137,033	972,056	(6,598,385)	(2,489,296)

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

39. EVENTS AFTER THE REPORTING PERIOD

Settlement agreements with Jinzhou BOC

Reference is made to the joint announcements of the Company and GSH dated 24 September 2021 and 14 January 2022 (the "**Jinzhou BOC Loans Announcements**") in relation to, among others, the receipt of the summons from 遼寧省瀋陽市中級人民法院 (Intermediate People' Court of Shenyang City, Liaoning Province*) (the "**Shenyang Intermediate Court**") by the GSH Group to attend the court hearing in respect of the application filed by Jinzhou BOC for the repayment of the outstanding principal amount and accrued interest under the fixed-term loans owed to Jinzhou BOC by two subsidiaries of the GSH Group, namely, 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.*) ("**Jinzhou Dacheng**") and 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**"). Such loans have been secured by assets and/or guarantee provided by the GSH Group. The outstanding principal amount under the loan agreement between Jinzhou BOC and Jinzhou Dacheng was approximately RMB19.8 million (the "**Jinzhou Dacheng BOC Loan**"); and the outstanding principal amount under the loan agreement between Jinzhou BOC and Jinzhou Yuancheng was approximately RMB30.0 million (the "**Yuancheng BOC Loan**") (collectively, the "**Jinzhou BOC Loans**"). The Shenyang Intermediate Court has granted orders for the preservation of the bank balance (or assets of equivalent value) of the GSH Group equivalent to the principal and interest outstanding under the Jinzhou BOC Loans in the aggregate amount of RMB55,518,460.06 in favour of Jinzhou BOC.

In respect of the Jinzhou BOC Loans, the Shenyang Intermediate Court has confirmed and acknowledged the settlement agreements reached between the respective parties. Consequently, Jinzhou Dacheng settled all its outstanding principal amount and accrued interest owed to Jinzhou BOC under the Jinzhou Dacheng BOC Loan in one payment by way of bank transfer on 25 January 2022; and Jinzhou Yuancheng shall repay Jinzhou BOC the outstanding principal amount and accrued interest under the Yuancheng BOC Loan in seven instalments pursuant to a mutually agreed schedule, with the last instalment due on 30 September 2023. For details of the Jinzhou BOC Loans, please refer to the Jinzhou BOC Loans Announcements.

Preservation order in relation to the breach of Yuancheng CCB Loans

Reference is made to the joint announcements of the Company and GSH dated 4 May 2020, 14 January 2022 and 22 February 2022 (the "**Yuancheng CCB Loans Announcements**") regarding, among others, the breach of the various loan agreements entered into between Jinzhou Yuancheng and Jinzhou CCB and the grant of order by the Shenyang Intermediate Court in favour of Jinzhou CCB for preservation of the bank balance (or assets of equivalent value) of certain members of the Group and the GSH Group in the aggregate amount of RMB213,882,634.55 in respect of the loans due to Jinzhou CCB in the aggregate principal amount of RMB189.9 million and outstanding interest accrued thereon (the "**Yuancheng CCB Loans**").

The first court hearing in respect of the Yuancheng CCB Loans was initially scheduled to be held on 22 March 2022. However, due to the recent spike in COVID-19 infection cases in Liaoning Province, the hearing has been delayed until further notice from the Shenyang Intermediate Court. For details of the Yuancheng CCB Loans, please refer to the Yuancheng CCB Loans Announcements.

39. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

Subscription of new shares of the Company under the general mandate

As announced by the Company on 19 January 2022, the Company entered into the 2022 Subscription Agreement with Rationale Holdings on 19 January 2022, pursuant to which Rationale Holdings has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,781,481,143 new ordinary shares at the subscription price of HK$0.1345 per 2022 Subscription Share. The net proceeds from the 2022 Subscription, after the deduction of relevant expenses, will be approximately HK$239,500,000. The Group will utilise a portion of the proceeds from the 2022 Subscription for the partial resumption of the Group's upstream operation in the Xinglongshan site. The directors of the Company believe that the resumption of operation in Xinglongshan will bring in operating cash inflow to the Group in 2022. For details of the 2022 Subscription, please refer to the announcements of the Company dated 19 January 2022 and 25 January 2022.

Liquidation of a subsidiary in Harbin

Reference is made to the announcement of the Company dated 19 January 2022 regarding, among others, the receipt of a notice from 賓縣人民法院 (People's Court of Bin County*) (the "**Bin County Court**") by 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) ("**Harbin Dacheng**"), a wholly owned subsidiary of the Group, notifying Harbin Dacheng that one of its creditors, 北大荒糧食集團有限公司 (Beidahuang Grain Group Co., Ltd.*) (the "**Applicant**") has applied to the Bin County Court to wind up Harbin Dacheng on the ground that Harbin Dacheng is insolvent (the "**Wind-up Application**"). As at 30 November 2021, the total amount due and owing by Harbin Dacheng to the Applicant was approximately RMB92,128,000 and the total outstanding debts owed by Harbin Dacheng amounted to approximately RMB718,307,000. In view of its insolvency, Harbin Dacheng will not defend the Wind-up Application and will be liquidated in accordance with the relevant liquidation procedures in the PRC.

Temporary suspension of production facilities in Shanghai

Reference is made to the joint announcement of the Company and GSH dated 14 April 2022 in relation to the temporary suspension of production operation of the Group's production facilities in Shanghai as a result of the lock down measures implemented in Shanghai in response to the outbreak of COVID-19. The lock down measures have limited the mobility of manpower across different industries and caused disruptions to the logistics network and necessitated the temporary suspension of production operation of the Group's production facilities in Shanghai.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 5 May 2022.

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				
	2021*	2020#	2019#	2018#	2017#
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
REVENUE	**746,551**	848,867	4,561,391	5,657,726	4,397,005
Cost of sales	**(698,200)**	(774,767)	(4,357,862)	(5,398,016)	(3,787,974)
Gross profit	**48,351**	74,100	203,529	259,710	609,031
Other income and gains	**1,406,507**	389,748	684,375	321,630	198,754
Selling and distribution costs	**(63,450)**	(85,876)	(407,789)	(584,130)	(398,193)
Administrative expenses	**(372,761)**	(362,313)	(440,695)	(439,187)	(419,489)
Other expenses	**(635,527)**	(971,237)	(510,420)	(360,098)	(584,442)
Loss on modification of convertible bonds	**–**	(728,190)	–	–	–
Share of loss of a joint venture	**(2,004)**	(2,332)	(1,541)	–	–
Finance costs	**(790,585)**	(724,826)	(604,076)	(565,040)	(454,678)
LOSS BEFORE TAX	**(409,469)**	(2,410,926)	(1,076,617)	(1,367,115)	(1,049,017)
Income tax (expenses) credit	**(25,920)**	(22,340)	(39,717)	67,896	158,759
LOSS FOR THE YEAR	**(435,389)**	(2,433,266)	(1,116,334)	(1,299,219)	(890,258)
Loss attributable to:					
Owners of the Company	**(400,801)**	(2,429,949)	(1,067,819)	(1,222,322)	(837,491)
Non-controlling interests	**(34,588)**	(3,317)	(48,515)	(76,897)	(52,767)
	(435,389)	(2,433,266)	(1,116,334)	(1,299,219)	(890,258)
TOTAL ASSETS	**6,482,715**	7,601,594	8,234,929	9,824,839	10,763,086
TOTAL LIABILITIES	**(13,183,540)**	(13,618,669)	(12,580,920)	(13,395,373)	(13,229,610)
NON-CONTROLLING INTERESTS	**183,121**	155,930	148,126	122,653	58,992
	(6,517,704)	(5,861,145)	(4,197,865)	(3,447,881)	(2,407,532)

* Details of the disclaimer of audit opinion are set out in the independent auditor's report on page 59 to page 61.

\# Disclaimer of audit opinion was issued in respect of the Group's consolidated financial statements for the years ended 31 December 2020, 2019, 2018 and 2017. Please refer to the Company's 2020, 2019, 2018 and 2017 annual reports for details.