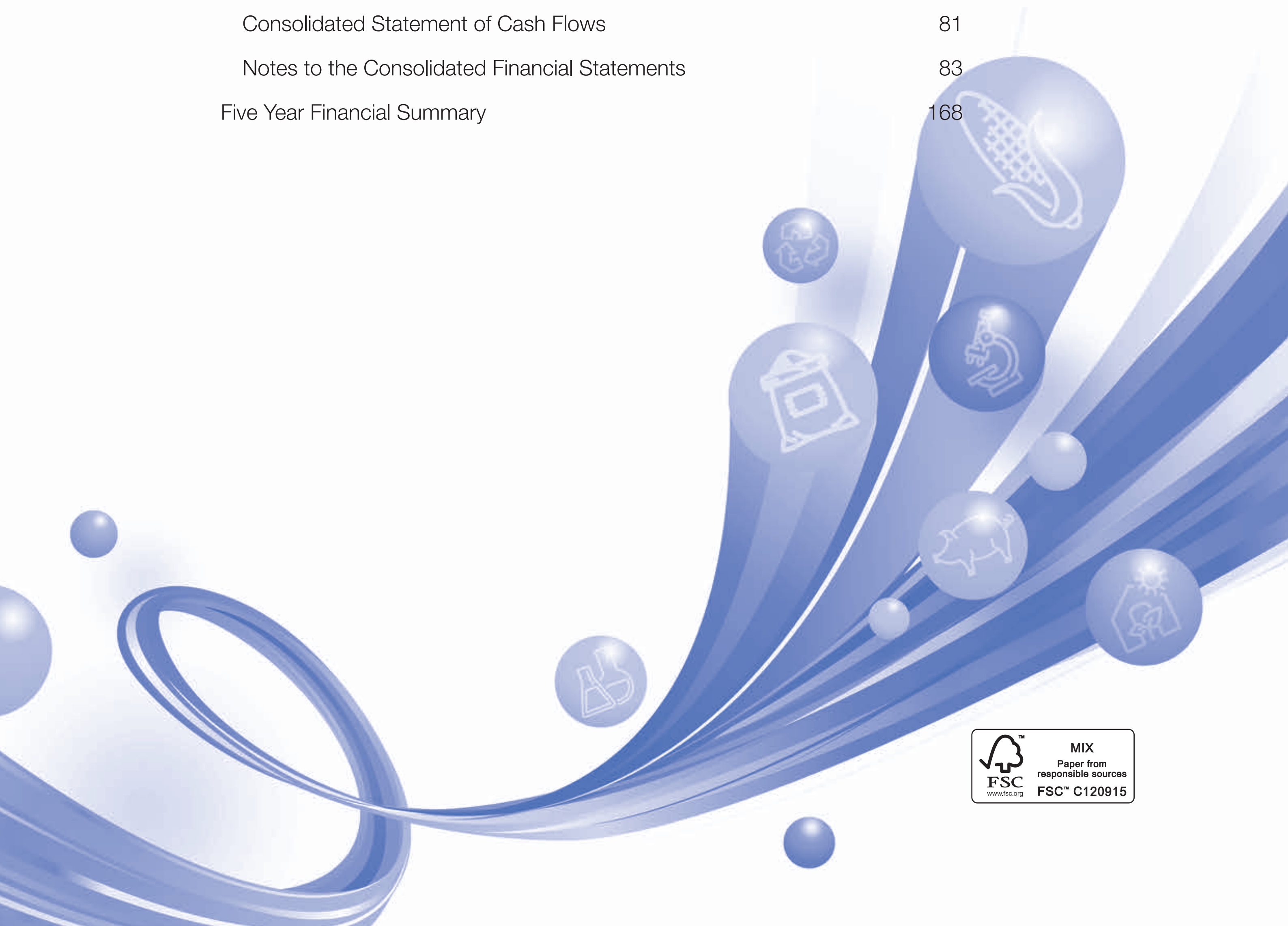
GLOBAL Bio-Chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code: 00809

2023
ANNUAL REPORT

*For identification purposes only

Contents



Definitions

"AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company, as amended from time to time
"Auditor"	the auditor of the Company, Mazars CPA Limited
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules
"Chairman"	the chairman of the Board
"Changchun Baocheng"	長春寶成生化發展有限公司 (Changchun Baocheng Bio-chem Development Co., Ltd.*), a wholly-owned subsidiary of the Company
"Changchun CCB"	中國建設銀行股份有限公司長春西安大路支行 (Changchun Xi'an Road Branch of China Construction Bank Corporation*)
"Changchun Dahe"	長春大合生物技術開發有限公司(Changchun Dahe Bio Technology Development Co., Ltd.*), a wholly-owned subsidiary of the Company
"Changchun MFB"	長春市財政局 (Changchun Municipal Finance Bureau*)
"Changchun Rudder"	長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*)
"Company"	Global Bio-chem Technology Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00809)
"Connected persons(s)"	has the meaning ascribed to it under the Listing Rules
"Convertible Bonds"	convertible bonds in the principal amount of HK$1,086,279,565 issued by the Company on 15 October 2015 held by Modern Agricultural
"Corporate Governance Committee"	the corporate governance committee of the Company
"COVID-19"	coronavirus disease
"CPS"	non-voting convertible preference share(s) of HK$0.10 each in the capital of the Company
"CPS Subscribers"	collectively, Jilin Liheng and Jilin Yuanheng
"CPS Subscription"	the issuance by the Company of, and the subscription of the CPS Subscribers for, the Subscription CPS on and subject to the terms and conditions set out in the CPS Subscription Agreement

Definitions

"CPS Subscription Agreement"	the conditional agreement dated 30 November 2023 entered into between the Company and the CPS Subscribers in relation to the CPS Subscription
"CPS Subscription Completion"	the completion of the CPS Subscription, which took place on 4 January 2024
"CPS Subscription Price"	HK$0.10 per Subscription CPS
"Dacheng Bio-Tech"	長春大成生物科技開發有限公司(Changchun Dacheng Bio-Tech Development Co., Ltd.*), a wholly-owned subsidiary of the Company
"Dahua CPA"	Da Hua Certified Public Accountants
"Debt Restructuring Agreement"	The debt restructuring agreement entered into between Nongtou, as the then creditor, and several subsidiaries of the Group, as the debtors or co-debtors, in respect of the Entire Transferred Loans, pursuant to which the Group had agreed to repay and repaid to Nongtou RMB1,580.0 million for the settlement of the Entire Transferred Loans
"Debt Restructuring Arrangements"	The debt restructuring arrangements of the Group which includes (a) the transfer of the Entire Transferred Loans to Nongtou on 31 December 2023; and (b) the entering into of the Debt Restructuring Agreement
"Dihao Companies"	collectively, Dihao Crystal Sugar and Dihao Foodstuff, the companies disposed of under the Dihao SPAs
"Dihao Completion"	the completion of the Dihao Transfer
"Dihao Crystal Sugar"	長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*), an indirect wholly-owned subsidiary of GSH as at the date of the Dihao SPA II and prior to Dihao Completion
"Dihao Foodstuff"	長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*), an indirect wholly-owned subsidiary of GSH as at the date of the Dihao SPA I and prior to Dihao Completion
"Dihao Purchaser"	Global Bio-Chem Technology (HK) Limited (大成生化科技集團有限公司), a direct wholly-owned subsidiary of the Company, the purchaser under the Dihao SPAs
"Dihao SPA I"	the sale and purchase agreement dated 6 April 2023 entered into between Dihao Vendor A and Dihao Vendor B and the Dihao Purchaser
"Dihao SPA II"	the sale and purchase agreement dated 6 April 2023 entered into between Dihao Vendor A and Dihao Vendor C and the Dihao Purchaser
"Dihao SPAs"	collectively, Dihao SPA I and Dihao SPA II
"Dihao Transfer"	the transfer of the Dihao Companies from the GSH Group to the Group under the Dihao SPAs
"Dihao Vendor A"	Global Sweeteners (China) Limited (大成澱粉糖(中國)有限公司), a wholly-owned subsidiary of GSH and one of the Dihao Vendors under the Dihao SPA I and Dihao SPA II

Definitions

"Dihao Vendor B"	Global Starch (Changchun) Investments Limited (大成澱粉(長春)投資有限公司), a wholly-owned subsidiary of GSH and one of the Dihao Vendors under the Dihao SPA I
"Dihao Vendor C"	Global Sorbitol (H.K.) Company Limited (大成山梨醇(香港)有限公司), a wholly-owned subsidiary of GSH and one of the Dihao Vendors under the Dihao SPA II
"Dihao Vendors"	Dihao Vendor A, Dihao Vendor B and Dihao Vendor C, which are the vendors under the Dihao SPAs
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company
"Entire Transferred Loans"	The loans of approximately RMB4,267.8 million, together with outstanding interests owed by the Group to Jilin Cinda, which had been transferred to Nongtou on 31 December 2023
"Executive Committee"	the executive committee of the Company
"Export-Import Bank"	中國進出口銀行 (The Export Import Bank of China*)
"Global Corn Bio-Chem"	Global Corn Bio-Chem Technology Company Limited, a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"GSH"	Global Sweeteners Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03889), which is directly and indirectly held as to approximately 17.04% by the Company after GSH Completion
"GSH Completion"	the completion of the sale and purchase of the GSH Sale Shares in accordance with the GSH SPA, which took place on 21 December 2023
"GSH Disposal"	the disposal of the GSH Sale Shares under the GSH SPA
"GSH Group"	collectively, GSH and its subsidiaries prior to the date of Dihao Completion
"GSH Joint Offerors"	collectively, Mr. Kong Zhanpeng and Mr. Wang Tieguang, being the purchasers under the GSH SPA
"GSH Sale Shares"	717,965,000 GSH Shares held by Global Corn Bio-Chem as at the date of the GSH SPA and be sold to the GSH Joint Offerors under the GSH SPA, representing approximately 47.00% of the entire issued share capital of GSH
"GSH Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of GSH
"GSH SPA"	the sale and purchase agreement dated 6 April 2023 entered into by the GSH Joint Offerors as purchasers and Global Corn Bio-Chem for the acquisition of the GSH Sale Shares by the GSH Joint Offerors

Definitions

"Harbin Dacheng"	哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company prior to the date of derecognition (i.e. 12 June 2023)
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HK Bloom"	HK Bloom Investment Limited
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Jilin Branch ABC"	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 CCB"	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 Export-Import Bank"	中國進出口銀行吉林省分行 (Jilin Branch of The Export-Import Bank of China*)
"Jilin Changbaishan"	吉林長白山股權投資管理有限公司 (Jilin Changbaishan Equity Investment Management Co., Ltd.*)
"Jilin Cinda"	中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*)
"Jilin Coal"	吉林省煤業集團有限公司 (Jilin Coal Industry Group Company Limited*)
"Jilin DOF"	Jilin Province Department of Finance
"Jilin Liheng"	吉林省利亨股權投資合夥企業(有限合夥) (Jilin Province Liheng Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC and one of the CPS Subscribers
"Jilin SASAC"	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 Yuanheng"	吉林省元亨股權投資合夥企業(有限合夥) (Jilin Province Yuanheng Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC and one of the CPS Subscribers
"Jinzhou CCB"	中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank Corporation*)
"Jinzhou Yuancheng"	錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*), an indirect wholly-owned subsidiary of GSH
"Liheng CPS"	the CPS issued to Jilin Liheng pursuant to the CPS Subscription, being the number of CPS that could be issued to Jilin Liheng by fully utilising the subscription monies of Jilin Liheng of RMB1,330,000,000
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum and Articles of Association"	the memorandum and articles of association of the Company, as amended from time to time

Definitions

"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules
"Modern Agricultural Fund"	吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Co., Ltd.*)
"Modern Agricultural" or the "Bondholder"	Modern Agricultural Industry Investment Limited, the controlling Shareholder holding approximately 35.20% of the issued share capital of the Company, and the holder of the Convertible Bonds
"Modern Agricultural Holdings"	Modern Agricultural Industry Investment Holdings Limited
"MT"	metric tonnes
"New GSH Group"	the GSH Group, excluding the Dihao Companies
"Nomination Committee"	the nomination committee of the Company
"Nongan Branch ABC"	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.*)
"Nongtou"	吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.*), a controlling Shareholder, which owns 60% of the investment capital of PRC LLP which indirectly wholly-owns Modern Agricultural
"Nongtou Group"	Nongtou and its subsidiaries from time to time
"Remuneration Committee"	the remuneration committee of the Company
"PRC LLP"	吉林省現代農業產業投資基金(有限合夥)(Jilin Province Modern Agricultural Industry Investment Fund (LLP)*)
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Second Supplemental Agreement"	the second supplemental agreement dated 2 June 2023 entered into between the Company and the Bondholder in relation to the proposed second extension of the maturity date of the Convertible Bonds from 15 June 2023 to 30 September 2025
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of par value HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shenyang Intermediate Court"	遼寧省瀋陽市中級人民法院 (Intermediate People's Court of Shenyang City, Liaoning Province*)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"Subscription CPS"	the Yuanheng CPS and the Liheng CPS
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Tiebei BOJ"	錦州銀行股份有限公司鐵北支行 (Tiebei Branch of Bank of Jinzhou Co., Ltd.*)
"Year"	the year ended 31 December 2023
"Yuancheng CCB Loans"	the loans from Jinzhou CCB to Jinzhou Yuancheng with the aggregate principal amount being RMB189.9 million together with outstanding interest
"Yuanheng CPS"	the CPS issued to the Jilin Yuanheng pursuant to the CPS Subscription, being the number of CPS that could be issued to Jilin Yuanheng by fully utilising the subscription monies of Jilin Yuanheng of RMB250,000,000
"2023 Master Supply Agreement"	the agreement dated 1 November 2023 and entered into between the Company (for itself and on behalf of the Group) and Nongtou (for itself and on behalf of the Nongtou Group) in relation to the supply of corn kernels by the Nongtou Group to the Group
"%"	per cent.

Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in this section.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wang Cheng *(Chairman)*
(Appointed on 11 December 2023)
Mr. Wang Guicheng
Mr. Yang Jian *(Resigned on 11 December 2023)*

Non-executive Directors
Mr. Li Yuewen *(Appointed on 10 August 2023)*
Mr. Gao Dongsheng
(Resigned on 10 August 2023)

Independent non-executive Directors
Ms. Jiang Fangfang
(Appointed on 10 August 2023)
Mr. Tan Chao *(Appointed on 28 September 2023)*
Ms. Xie Liangqiu *(Appointed on 10 August 2023)*
Ms. Dong Hongxia *(Resigned on 10 August 2023)*
Mr. Ng Kwok Pong
(Resigned on 28 September 2023)
Mr. Yeung Kit Lam *(Resigned on 10 August 2023)*

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

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
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

China's 2023 gross domestic product ("**GDP**") increased by 5.2% year-on-year and was in line with expectation. However, PRC's overall export value improved by merely 0.6% from a relatively low base of 2022. The figure indicated a lack of momentum in export, a component of the troika driving the growth in China's economy. On the other hand, domestic consumption was hampered by a sluggish domestic property market and low public expectation for economic development.

2023 was a year of significance to the Group. While external economic environment was under different extent of pressure, international trade had been interrupted by global inflation pressure, geopolitical tension and regional conflicts, leading to disruption in supply of energy and foodstuff, with the strong support from the Jilin provincial government, along with its dedication, the Group made significant achievement in its operation, as well as in restructuring of its corporate structure and financial positions in 2023.

During the Year, the Group's facilities in Changchun Dahe remained in normal operation throughout, and contributed significant amount of revenue to the Group. Domestic husbandry industry experienced improved sales volume with declined prices during the Year, leading to significant fluctuation in the price of lysine products, which were mainly used as additive to animal feed. Lysine price was at a relatively low level during the first half of the Year, and gradually improved in the second half of the Year with periodical decline in supply, resulting from lysine manufacturers' facility overhaul. The Group's lysine business improved significantly in the second half of the Year in line with the surge in lysine price. As such, the Group turned gross loss in first half of the Year to gross profit in second half of the Year, laying a solid foundation for the future development of the Group's lysine business.

After almost a year's effort, the Group completed the GSH Disposal on 21 December 2023. Following that, the New GSH Group no longer formed a part of the Group, and its financial results were not consolidated into the consolidated financial statements of the Group. The financial results of the net loss of the New GSH Group of approximately HK$139.8 million and one-off gain of approximately HK$621.3 million from GSH Completion were classified as discontinued operations. In addition, the Group would be able to better allocate its resources to its core business and further improve its asset-liability structure.

As disclosed in the Company's announcement on 4 January 2024, the Group has completed the issue of CPS for settlement of the Debt Restructuring Arrangements which include (a) the transfer of the Entire Transferred Loans to Nongtou on 31 December 2023; and (b) the entering into the Debt Restructuring Agreement on 31 December 2023 between Nongtou, as the then creditor, and several subsidiaries of the Group, as the debtors, in respect of the Entire Transferred Loans. The settlement of the aforementioned loans enabled the Group to be relieved from years of heavy debt pressure and substantially improve its financial position. The net proceeds from CPS had been utilised to complete the Debt Restructuring Arrangements in January 2024, and the Group has fulfilled all of its repayment obligation under the Debt Restructuring Agreement.

In addition, the Company has further extended the maturity date of the Convertible Bonds from 15 June 2023 to 30 September 2025, and derecognised the assets and liabilities of Harbin Dacheng. The aforementioned gains contributed positively to the Group's financial position and the Group recorded significant improvement in its performance for the Year.

With the completion of the above and a series of reform to be conducted by the Group, the Group is expected to effectively resolve its debt and liquidity issues, enabling its operation to remain sustainable with a steady development and to enjoy promising prospects. The Auditor issued a disclaimer of opinion on the consolidated financial statements of the Group last year, as they had not been able to obtain sufficient appropriate audit evidence for the validity of the Group's going concern assumption. With the completion of the Group's debt restructuring and improvement in its financial position for the Year, the Group's consolidated financial statements for the Year is no longer subject to the disclaimer of opinion from the Auditor, although a paragraph in relation to material uncertainty related to going concern remained in the Auditor's report. As set out in note 2.2 to the consolidated financial statements, the Group shall strive to further improve its financial position in the coming years.

OUTLOOK

The world's economy is still under severe challenges in 2024. Geopolitical tension and disruption of commercial routes by regional conflicts continue to constitute adverse impact on international trade and economic development. On the other hand, China's effort to cement its trade relationship with the United States of America and Europe has yet to generate results.

China's growth target remains at 5% for 2024. With the resumption of social and manufacturing activities, the domestic economy demonstrates noticeable recovery from that of the pandemic period. However, there is no sign of resolution in the China property crisis. Household consumption and corporate investment sentiment remain weak. There are still formidable obstacles against domestic economic development.

As for the outlook for the amino acid market in 2024, the expansion in capacity from inauguration of new facilities and mild improvement in demand is expected to lead to oversupply in 2024. Prices of corn, a raw material for amino acid manufacturing, rose in the first quarter of 2024, resulted in surge in lysine prices. Despite the surge, it is expected that lysine price will remain stable at a relatively low level.

The Group will concentrate its resources to consolidate the development of its lysine business in 2024. We aim to gradually expand overall capacity and enhance the efficiency of its infrastructure, including modification of the furnace, to ensure our cost of production stay in the forefront of the industry. The Group strives to maintain its competitiveness through the development and production of new products, thereby strengthening the profitability of its lysine products. The Group will broaden its revenue through expansion of existing lysine product's market share and introduction of new products. The Group is actively seeking investors and/or strategic partners to raise necessary capital for gradual resumption of Xinglongshan operations.

The Group is committed to resolving the remaining debt liabilities, including payables overdue to suppliers and debts due to Changchun Rudder, in order to further improve its financial position, and to flexibly seize any arising market opportunities.

On behalf of the Board, I would like to extend our gratitude to our Shareholders for their faith in and support to the Group's management over the years. Your companion with us in weathering the challenges, is now rewarded with a promising prospect of the Group.

Wang Cheng
Chairman

28 March 2024

Management Discussion and Analysis

The Group is principally engaged in the manufacture and sale of corn refined products, amino acids, corn sweeteners and polyol chemicals. The upstream corn refinery serves as a feedstock which breaks down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products. The corn sweeteners segment is operated by the New GSH Group which ceased to be the subsidiaries of the Group upon the GSH Completion. The financial results of the New GSH Group have been presented as discontinued operations in the consolidated financial statements of the Group for the Year.

BUSINESS REVIEW

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

During the Year, the PRC has entered the phase of post COVID-19 economic recovery. The economic and social activities in the PRC have been gradually returning to normal. However, China's economy is still affected by various internal and external factors, including inflationary pressure, frequent geopolitical conflicts and slow growth in domestic demand. Although China's total retail sales of consumer goods increased by 7.2% in 2023 as compared with the previous year, China's Consumer Price Index has recorded negative growth since the last quarter of 2023. In addition to the downturn in the real estate market, the domestic consumer sentiment is low and consumer demand is sluggish. It is a tortuous process for full recovery of the overall economy in the PRC.

According to the estimates from the United States Department of Agriculture in February 2024, global corn production for the year 2023/24 is estimated at 1,235.7 million MT (2022/23: 1,155.9 million MT), achieving a record high in recent years. Abundant supply leads to price falls. The international corn price closed at 471.3 cents per bushel by the end of 2023 (equivalent to RMB1,336 per MT) (end of 2022: 678.5 cents per bushel (equivalent to RMB1,843 per MT)). In the domestic market, China's corn output recorded an increase in 2023, with output reaching 288.8 million MT, a year-on-year increase of 4.2% according to grain output data released by the National Bureau of Statistics of China which is primarily attributable to the expansion of planting area in the PRC. The total planted area of corn in China increased by 2.7% and reached 44.2 million hectares for the Year, being the highest level since 2015. Meanwhile, according to the data from China Customs, 2023 corn imports of the PRC have experienced explosive growth and increased by 31.6% to total 27.13 million MT (2022: 20.62 million MT) in 2023. As such, the average spot price of corn in the PRC has dropped from a historical high of nearly RMB3,000 per MT to RMB2,560 per MT at the end of 2023. While recovery of downstream market has been slow, the selling price of upstream corn refineries products remained low during the Year. According to an industry report in China, most of the corn refineries in China have been loss-making during the Year. As the trend of corn price is going down and the improvement of the Group's liquidities, it shall provide a turning point for the Group to consider resuming its upstream operations in Xinglongshan site in 2024.

During the first half of the Year, COVID-19 was still plaguing the global economies. The Russia-Ukraine war continued to bring about surging prices of food and energy, resulting substantial fluctuations in the price of pigs and meats. The breeding industry encountered unstable business environment. According to an industry report in the PRC, the swine husbandry industry had been loss-making during the first half of the Year. In addition, most feed manufacturers in the PRC had maintained relatively high inventory level during the Year as demand from overseas market dropped. As a result, the average price of lysine products in China dropped by 8.0% to RMB8,600 per MT during the first half of 2023. The overall production capacity and utilisation rate of the lysine industry in China remained low. The unfavourable market conditions of the lysine industry and high production cost had negatively impacted the performance of the Group's amino acids segment during the first half of 2023.

Fortunately, the overall consumption of food was boosting during the second half of 2023, export demand improved, and certain lysine manufacturers in China successively suspended operations, resulting in a temporary reduction in supply, which drove up domestic lysine prices and industry profits gradually improved. According to the report jointly issued by 農業農村部畜牧獸醫局 (Animal Husbandry and Veterinary Bureau under the Ministry of Agriculture and Rural Affairs) and the China Feed Industry Association, the total output of industrial feed in China in 2023 was 321.6 million MT (2022: 301.6 million MT), representing an increase of 6.6% year-on-year. Furthermore, under the promotion of replacing soybean meal in animal feed by amino acids in the low-protein diet, the proportion of soybean meal China uses in feed formula had dropped by 1.5% from 2022 to 13% in 2023 according to the Ministry of Agriculture and Rural Affairs of the PRC. These factors helped to boost amino acid consumption in China. Since the production resumption in the Group's lysine production facilities of Changchun Dahe in December 2022, the Group's production and sales volumes of lysine substantially increased during the Year and begin to generate cash inflow to the Group in the second half of 2023.

As for the sugar market, global sugar production for 2022/23 was 175,307,000 MT (2021/22: 180,663,000 MT) with consumption estimated at 176,380,000 MT (2021/22: 173,636,000 MT). The balance of global sugar supply and demand is tightening as the market is concerned that major sugar-producing countries like India and Thailand will reduce production due to the El Niño phenomenon, and it is expected that India may implement sugar export restrictions. International sugar prices remained high in 2023. The average sugar price index of the Food and Agriculture Organization of the United Nations in 2023 was 145 points, representing an increase of 26.6% from 2022, setting a record high since 2011. In the China market, according to statistics from the China Sugar Association, in the 2022/23 sugar production period, the country produced a total of 8.97 million MT of sugar, and sold a total of 8.53 million MT of sugar, with a production and sales rate of 95.1%. Domestic sugar price in the PRC increased to RMB6,758 per MT by the end of 2023 (end of 2022: RMB5,852 per MT). The increase in sugar prices has stimulated the production volume in the sweeteners segment of the Group. As the New GSH Group ceased to be a part of the Group upon the GSH Completion, the assets, liabilities and financial results of the New GSH Group are no longer consolidated into the consolidated financial statements of the Group, it is expected that the sweeteners segment of the Group will scale down in 2024.

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 into the possibility of restructuring its product portfolio to include high value-added products in response to the changing market needs. The Group will continue to observe the market and take a prudent approach before resuming its polyol chemical business.

As the impact of COVID-19 gradually subsided, and coupled with the decline in corn price and increase in sugar price and lysine demand, the Group has significantly increased the production capacity in Changchun Dahe site during 2023. Besides, the Group recognised one-off gains from (1) the Debt Restructuring Arrangements which include (a) the transfer of the Entire Transferred Loans to Nongtou on 31 December 2023; and (b) the entering into of the Debt Restructuring Agreement, and (2) the GSH Completion which took place on 21 December 2023. Moving forward, the Group will concentrate resources more effectively on its lysine segment and it is expected that the Group's financial position and cashflow would be significantly improved.

Nevertheless, the changes in consumption pattern and increased health awareness of the general public are pushing the Group to develop new product mix and enhance the competitive abilities. In the short run, the Group will continue to strengthen its market position by utilising its brand name, strive to provide excellent customer service and be customer-oriented to better understand their ever-changing demands and product requirements, as well as to launch some new amino acids products with high profit margin in 2024. In the long run, the Group expects to maintain a relatively healthy cash flow and explore the opportunities to corporate with different industry players to expand the production of high profit margin products and resume the operation of the production facilities in Xinglongshan site.

FINANCIAL PERFORMANCE

During the post-pandemic era, the global and the PRC economy is successively returning to normal. Many business activities and investments have resumed, resulting in the recovery of economy. As such, the Group has undergone a huge reform not only on the organisational structure, but also on debts restructuring. On 6 April 2023, the GSH SPA had been entered into between Global Corn Bio-Chem, as seller, and the GSH Joint Offerors, as purchasers, for the sale of GSH Sale Shares, meanwhile, the Dihao SPAs had also been entered into between the Group and the GSH Group to transfer the entire equity interests in the Dihao Companies to the Group, both of the transactions had been completed on 21 December 2023. As a result, the financial results of the Group have been classified as continuing operations and the financial results of the GSH Group (excluding Dihao Companies), i.e. the New GSH Group, are no longer consolidated into the consolidated financial statements of the Group for the Year and have been classified as discontinued operations and the prior year comparative results have been represented throughout the consolidated financial statements of the Group.

Continuing operations

The resumption of lysine production operation of Changchun Dahe led to the significant increase in the sales volume of the Group by approximately 3,400.0% to 245,000 MT (2022: 7,000 MT) during the Year. The consolidated revenue for the Group for the Year increased significantly by approximately 10,718.1% to approximately HK$1,373.9 million (2022: HK$12.7 million). However, the unfavourable operating environment of lysine market had negatively impacted the profitability of the Group during the first half of 2023 and the Group recorded gross loss of approximately HK$58.2 million (2022: Nil) during the first half of 2023. Starting from second half of 2023, benefiting from the cost savings resulting from lower raw material cost and facilities upgrade, the average production cost of amino acids dropped by 15.5% at the end of 2023, coupled with the increase in average selling price of amino acids by 11.2%, the Group recorded gross profit of HK$101.8 million for the second half of 2023 (second half of 2022: HK$7.3 million). As such, the Group recorded gross profit of approximately HK$43.6 million for the Year (2022: HK$7.3 million).

Pursuant to the Debt Restructuring Arrangements, a portion of the Entire Transferred Loans had been waived by Nongtou and a gain of approximately HK$4,284.8 million was recognised from waiver of such loans during the Year.

On the other hand, as one of the creditors of Harbin Dacheng applied to 賓縣人民法院 (People's Court of Bin County*) (the "**Court**") and the Court accepted to wind up Harbin Dacheng on the basis that Harbin Dacheng was insolvent during the first half of 2023, the Company no longer had control of whatsoever nature over the affairs of Harbin Dacheng since then. All assets and liabilities of Harbin Dacheng were derecognised from the consolidated financial statements of the Company and the Group recognised a one-off gain of approximately HK$421.9 million regarding the derecognition of the assets and liabilities of Harbin Dacheng during the Year.

On 2 June 2023, the Company and the Bondholder entered into the Second Supplemental Agreement for the further extension of the maturity date of the Convertible Bonds from 15 June 2023 to 30 September 2025. For details, please refer to the announcement of the Company dated 2 June 2023 and the circular of the Company dated 15 July 2023. As a result, a one-off gain amounted to approximately HK$301.4 million in relation to the further extension of the maturity date of the Convertible Bonds had been recognised during the Year.

Eventually, the Group recorded a profit from continuing operations of HK$3,743.1 million (2022: loss from continuing operations: HK$1,378.2 million) and EBITDA (i.e., earnings before interest, taxation, depreciation and amortisation) of approximately HK$4,695.0 million (2022: LBITDA (i.e., Loss before interest, taxation, depreciation and amortisation): HK$467.3 million) for the Year.

Upstream products

(Revenue: HK$217.2 million (2022: HK$0.8 million))
(Gross loss: HK$14.3 million (2022: Gross profit: HK$0.1 million))

During the Year, the Group resumed the upstream operations of Changchun Dahe to supply raw materials, i.e. corn starch, for its downstream production. As all the corn starch produced by the Group was for internal use, there were no external sales for corn starch during the Year and 2022. The Group sold approximately 60,000 MT (2022: Nil) of other corn refined products, amounted to approximately HK$217.2 million (2022: HK$0.8 million). Due to the poor market sentiment of the corn refinery industries, the other corn refined products recorded gross loss of approximately HK$14.3 million (2022: gross profit: HK$0.1 million) with gross loss margin of 6.6% (2022: gross profit margin: 12.5%) for the Year.

Amino acids

(Revenue: HK$1,156.7 million (2022: HK$5.4 million))
(Gross profit: HK$57.9 million (2022: HK$0.7 million))

The amino acids segment consists of lysine, protein lysine and threonine products. Since December 2022, the Group resumed its amino acids operation. As a result, the Group's amino acids segment recorded a significantly increase in revenue by approximately HK$1,151.3 million to HK$1,156.7 million (2022: HK$5.4 million) with sales volume of 185,000 MT (2022: 1,000 MT) for the Year. Due to the poor market sentiment in the feed and husbandry industries and high production cost as a result of the relatively low utilisation rate of the Group's lysine production facilities in its initial stage of resumption, the amino acids segment recorded a gross loss of approximately HK$50.3 million (first half of 2022: Nil), with a gross loss margin of 13.3% (first half of 2022: Nil) for the first half of 2023.

Benefiting from the cost savings resulting from lower raw material cost and facilities upgrade, the average production cost of amino acids dropped by 15.5% at the end of 2023, in addition, the average selling price of amino acids increased by 11.2% as a result of a temporary supply shortage in the PRC market during the second half of 2023. Consequently, the Group recorded gross profit of approximately HK$108.2 million with a gross profit margin of 13.9% (second half of 2022: gross loss margin: 12.3%) for the second half of 2023. As such, the Group recorded gross profit of approximately HK$57.9 million (2022: HK$0.7 million) with a gross profit margin of 5.0% (2022: 13.0%) of amino acids segment for the Year.

The outlook on the amino acids segment is expected to improve gradually in 2024. The Group will strive to maintain a healthy cashflow from amino acids segment and closely monitor market changes to streamline the production processes and identify opportunities to further upgrade the production facilities, lower the production cost and launch various high value-added products to fit the market changes.

Polyol chemicals

(Revenue: Nil (2022: HK$6.5 million))
(Gross profit: Nil (2022: HK$6.5 million))

The polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. Due to the prolonged challenging operating environment of polyol chemicals business, the Group had utilised its polyol chemicals inventory to produce and sell a small amount of anti-freeze products in prior periods. During the Year, no sale of polyol chemicals products was recorded as the Group has suspended the production of anti-freeze products to minimise financial risks and secure financial resources since the last quarter of 2022. As a result, no revenue and gross profit from the sale of polyol chemicals products (2022: HK$6.5 million and HK$6.5 million) were recorded during the Year.

Export sales

During the Year, export sales mainly consisted of the sale of amino acids which accounted for 25.8% (2022: Nil) of the Group's total revenue. The export sales from continuing operations of the Group amounted to approximately HK$354.2 million (2022: Nil) during the Year. Such increase was mainly attributable to the resumption of operation of Changchun Dahe since December 2022. No export sales of polyol chemicals and upstream products were recorded during the Year and the corresponding prior year.

Other income and gains

During the Year, other income and gains increased by approximately 56.0% to approximately HK$26.2 million (2022: HK$16.8 million). Such difference was mainly attributable to the recognition of a one-off gain of approximately HK$7.4 million in relation to the gain on properties revaluation.

Selling and distribution costs

During the Year, selling and distribution costs increased by approximately 618.5% to approximately HK$66.1 million (2022: HK$9.2 million), accounting for approximately 4.8% (2022: 72.4%) of the Group's revenue. Such increase was mainly attributable to the increase in sales volume as a result of the resumption of operation of Changchun Dahe at the end of 2022.

Administrative expenses

During the Year, administrative expenses increased by approximately 17.7% to approximately HK$304.1 million (2022: HK$258.3 million). Such increase was mainly result of the professional expenses incurred in relation to the GSH Disposal and the issue of the CPS during the Year.

Other expenses

During the Year, other expenses decreased by approximately 48.4% to approximately HK$256.3 million (2022: HK$496.4 million). Such decrease was mainly attributable to the decrease in expenses in relation to the suspension of the Group's facilities subsequent to the resumption of operation of Changchun Dahe at the end of 2022.

Finance costs

During the Year, finance costs of the Group increased by 9.5% to approximately HK$750.4 million (2022: HK$685.2 million), which was mainly attributable to the increase in imputed interest on the Convertible Bonds.

Income tax credit

Due to the recognition of temporary differences, the Group recorded a deferred tax credit from continuing operations of approximately HK$42.1 million (2022: deferred tax credit: HK$46.8 million) during the Year. Meanwhile, during the Year, all the subsidiaries of the Group recorded tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years, no income tax expenses were recorded for the Year (2022: Nil). As a result, the Group recorded tax credit from continuing operations of approximately HK$42.1 million (2022: HK$46.8 million) for the Year.

Discontinued operations

The discontinued operations of the Group for the Year comprised of the operations of the GSH Group (excluding the Dihao Companies), i.e. the New GSH Group, upon the GSH Completion. As a result, the financial results of the New GSH Group are regarded as discontinued operations of the Group during the Year. As such, the corn sweeteners segment operated by the New GSH Group which consists of corn syrup and corn syrup solid, would be ceased to belong to the Group and would be recognised as discontinued operations of the Group during the Year. The discontinued operations of the Group for the Year included but not limited to (1) a one-off gain of approximately HK$621.3 million from the GSH Completion; and (2) the loss of the New GSH Group of approximately HK$139.8 million during the Year.

Net profit attributable to owners of the Company

As a result of the increase in gross profit, increase in other income and recognition of gain on discontinued operations, Debt Restructuring Arrangements and derecognition of Harbin Dacheng during the Year, the Group recorded a net profit attributable to owners of the Company of approximately HK$4,224.6 million (2022: net loss of approximately HK$1,443.1 million) for the Year.

After the completion of significant parts of the debts restructuring plan and the Group restructuring during the Year, the Group will endeavour (1) to negotiate for the execution of the resumption of the remaining part of the land and buildings owned by the Group which are located in Luyuan District, Changchun, the PRC (the "**Relevant Properties**") in order to settle the outstanding consideration of RMB815.0 million for the purchase of the repurchased loans, being certain loans owed by Dihao Foodstuff, Dacheng Bio-Tech, and Changchun Dahe (the "**Repurchased Loans**") and enhance the financial resources of the Group with the proceeds from the resumption of the Relevant Properties; (2) to closely monitor market changes to streamline the production processes and identify opportunities to further upgrade the production facilities to lower the production cost and launch high value-added products in 2024; and (3) to introduce different industry players to facilitate the resumption of production of the Xinglongshan site to improve the operational efficiency and strengthen the working capital of the Group. For further details of the Repurchased Loans, please refer to the announcement of the Company dated 24 July 2023.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings of the Group as at 31 December 2023 decreased by approximately HK$3,515.2 million to approximately HK$3,598.4 million (31 December 2022: HK$7,113.6 million). The substantial decrease in total borrowings was mainly attributable to certain bank and other borrowings of approximately HK$440.9 million of the New GSH Group no longer being consolidated into the consolidated financial statements of the Group upon the GSH Completion, net addition of certain bank and other borrowings of approximately HK$124.8 million, wavier of loans of approximately HK$2,953.7 million which were granted by Nongtou pursuant to the Debt Restructuring Arrangements and exchange rate adjustment of approximately HK$245.4 million during the Year. On the other hand, the cash and bank balances and pledged bank deposits as at 31 December 2023, which were mainly denominated in Renminbi and Hong Kong dollar, increased by approximately HK$46.5 million to approximately HK$88.4 million (31 December 2022: HK$41.9 million, denominated in Renminbi and Euro). As a result, the net borrowings decreased by approximately HK$3,561.7 million to HK$3,510.0 million (31 December 2022: HK$7,071.7 million).

Structure of interest-bearing bank and other borrowings

As at 31 December 2023, the Group's interest-bearing bank and other borrowings amounted to approximately HK$3,598.4 million (31 December 2022: HK$7,113.6 million), all (31 December 2022: all) of which were denominated in Renminbi. As at 31 December 2023, the percentage of interest-bearing bank and other borrowings wholly repayable within one year and in the second to the fifth years were 99.7% and 0.3% (31 December 2022: 100.0% and Nil), respectively.

As at 31 December 2023, interest-bearing bank and other borrowings amounted to approximately RMB51.2 million (31 December 2022: RMB318.6 million) have been charged at fixed interest rates ranging from 6.5% to 7.8% (31 December 2022: 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 by Modern Agricultural and the issuance of Convertible Bonds by the Company to Modern Agricultural in October 2015 (the "**Original CB Subscription**"), Convertible Bonds, among others, in the aggregate principal amount of HK$1,086,279,565 which may be converted into 4,722,954,631 conversion Shares based on the initial conversion price of HK$0.23 (subject to adjustment) per share upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Pursuant to the terms of the Original CB Subscription, the holder of the Convertible Bonds has the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into new Shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until 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 shall not be less than 25% or any given percentage as required by the Listing Rules. The Convertible Bonds first became mature on 15 October 2020 (the "**Original Maturity Date**"), and all the Convertible Bonds remained outstanding on the Original Maturity Date.

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

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

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

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

At 31 December 2023, the Convertible Bonds were divided into liability component and equity component which amounted to approximately HK$801.3 million and HK$104.7 million (31 December 2022: HK$1,037.5 million and HK$972.1 million) respectively and effective imputed interest of approximately HK$169.8 million (2022: HK$98.6 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 19 days (31 December 2022: 59 days) as the Group maintained a stringent credit control during the Year.

Trade payables turnover days decreased to approximately 144 days (31 December 2022: 1,283 days) during the Year. Such decrease was mainly attributable to (1) the execution of repayment plans mutually agreed between the Group and its creditors; (2) no longer consolidated the New GSH Group's financial position upon the GSH Completion; and (3) the derecognition of Harbin Dacheng during the Year.

In addition, as the Group resumed the operation of Changchun Dahe with its operation gradually picking up its momentum, the inventory turnover days decreased to approximately 20 days (31 December 2022: 235 days).

As at 31 December 2023, the current ratio and the quick ratio of the Group were approximately 0.1 (31 December 2022: 0.05) and 0.1 (31 December 2022: 0.03), respectively. The improvement in current ratio and quick ratio were mainly attributable to the increase of current assets as a result of the resumption of amino acids production operation since December 2022. Due to the waiver of loans received from Nongtou pursuant to the Debt Restructuring Agreement, the GSH Completion and derecognition of Harbin Dacheng, the net liabilities of the Group decreased to approximately HK$4,036.9 million (31 December 2022: HK$7,787.1 million) as at 31 December 2023. Gearing ratio in terms of debts (i.e., total interest-bearing bank and other borrowings and the Convertible Bonds) to total assets (i.e., sum of current assets and non-current assets) was approximately 84.5% (31 December 2022: 139.3%).

SIGNIFICANT INVESTMENTS

The Group had no significant investments during the Year. As at the date of this report, the Group has no other future plans for material investments or capital assets.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the GSH Disposal and the Dihao Transfer as disclosed in the paragraph headed "Important transactions during the Year" on page 19 of this report, 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 2023, the Group did not have any significant contingent liabilities.

CHARGE ON ASSETS

As at 31 December 2023, the Group's interest-bearing bank and other borrowings amounted to approximately HK$2,054,945,000 (31 December 2022: HK$4,642,417,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group which amounted to approximately HK$1,420,217,000 (31 December 2022: HK$1,480,503,000) and HK$83,532,000 (31 December 2022: HK$124,208,000), respectively, and a receivable from disposal of assets which amounted to approximately HK$109,890,000 (31 December 2022: HK$113,636,000).

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 from continuing operations, which were denominated in US dollars, accounted for approximately 25.8% (2022: Nil) of the Group's revenue during the Year. The Board has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations in the short run. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

IMPORTANT TRANSACTIONS DURING THE YEAR

Termination of deemed disposal of equity interest in GSH

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

GSH Restructuring

Very substantial disposal in relation to (i) the GSH Disposal; and (ii) the deemed disposal of interest in GSH as a result of the issue of the GSH Convertible Bonds

Reference is made to the joint announcement issued by the Company, GSH and GSH Joint Offerors dated 6 April 2023, 19 September 2023 and 21 December 2023, and the circular of the Company dated 25 May 2023. Global Corn Bio-Chem, as vendor, and the GSH Joint Offerors, as purchasers, entered into the GSH SPA. Pursuant to the GSH SPA, the GSH Joint Offerors have conditionally agreed to acquire, and Global Corn Bio-chem has conditionally agreed to sell, the GSH Sale Shares, representing approximately 47.0% of the entire issued share capital of GSH as at the date of the GSH SPA, at a total consideration of HK$43,077,900, equivalent to HK$0.06 per GSH Sale Share. The GSH Completion took place on 21 December 2023. Upon GSH Completion, the Group's interest in GSH had been reduced from approximately 64.04% to 17.04%. Accordingly, the assets, liabilities and financial results of the New GSH Group were no longer consolidated into the consolidated financial statements of the Company.

In addition, GSH, as issuer, entered into a conditional convertible bonds subscription agreement (the "**GSH CB Subscription Agreement**") with the GSH Joint Offerors, as subscribers. Pursuant to the GSH CB Subscription Agreement, GSH has conditionally agreed to issue, and the GSH Joint Offerors have conditionally agreed to subscribe for, the 3 year, 5 per cent convertible bonds (the "**GSH Convertible Bonds**") in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK$138.0 million), which may be converted into new ordinary share(s) of HK$0.10 each to be allotted and issued by GSH (the "**GSH Conversion Shares**") pursuant to the exercise of the conversion rights attached to the GSH Convertible Bonds (the "**GSH CB Conversion Rights**") at an initial conversion price of HK$0.1 per GSH Conversion Share (the "**GSH CB Conversion Price**"), subject to the adjustment pursuant to the terms and condition of the GSH Convertible Bonds (the "**GSH CB Subscription**").

The GSH CB Subscription is considered a deemed disposal of the Group (excluding the New GSH Group)'s interest in GSH under Rule 14.29 of the Listing Rules. Assuming exercise of the GSH CB Conversion Rights in full at the initial GSH CB Conversion Price, GSH will issue a total of 1,380,000,000 GSH Conversion Shares. Assuming no further change in the shareholding structure of GSH other than the GSH Disposal and full exercise the GSH CB Conversion Rights, the Group's shareholding in GSH will be further reduced to approximately 8.96% upon the GSH Joint Offerors' exercise of the GSH CB Conversion Rights in full (the "**GSH Deemed Disposal**").

All the conditions precedent (other than conditions precedent that are stipulated to be fulfilled on the date of the GSH CB First Completion (as defined below)) under the CB Subscription Agreement in respect of completion of the issuance of the Convertible Bonds in the aggregate principal amount of RMB60.0 million (the "**GSH CB First Completion**") had been fulfilled or waived as at 21 December 2023. The CB First Completion is originally expected to take place on 21 March 2024. As announced by GSH on 20 March 2024, as additional time is required for the GSH Joint Offerors, as subscriber, to complete the relevant administrative procedures in relation to the GSH CB Subscription, GSH and the GSH Joint Offerors, had agreed in writing to extend the date of the CB First Completion to 30 June 2024.

Dihao Transfer

Reference is further made to the joint announcement issued by the Company, GSH and GSH Joint Offerors dated 6 April 2023, 19 September 2023 and 21 December 2023, and the circular of the Company dated 25 May 2023, (i) the Dihao Vendor A and the Dihao Vendor B, as vendors, and the Dihao Purchaser, as purchaser, entered into the Dihao SPA I, pursuant to which, among others, the Dihao Vendor A and the Dihao Vendor B have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in Dihao Foodstuff, at the consideration of RMB1.0. On the same day, the Dihao Vendor A and the Dihao Vendor C, as vendors, and the Dihao Purchaser, as purchaser, entered into the Dihao SPA II, pursuant to which, among others, the Dihao Vendor A and the Dihao Vendor C have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in Dihao Crystal Sugar, at the consideration of RMB1.0.

The Dihao Completion took place on 21 December 2023. Upon the Dihao Completion, each of Dihao Foodstuff and Dihao Crystal Sugar ceased to be subsidiaries of GSH, and become part of the Group (excluding the New GSH Group).

Provision of GBT Counter-guarantee

Pursuant to the terms of the Dihao SPAs, the Company shall execute and deliver to GSH a deed of counter-guarantee (the "**GBT Counter-guarantee**") at the Dihao Completion, such that the Company will, among others, provide counter-guarantee and indemnity with a maximum liability of RMB250.0 million to GSH in respect of the obligations and liabilities that GSH may suffer under the guarantee provided by GSH to Nongan Branch ABC on 20 May 2019 in respect of the debts owed by Dihao Foodstuff to Nongan Branch ABC.

For further details of (i) the GSH Disposal, (ii) the GSH CB Subscription and therefore the GSH Deemed Disposal, (iii) the Dihao Transfer, and (iv) the GBT Counter-guarantee, please refer to the joint announcement issued by the Company, GSH and GSH Joint Offerors dated 6 April 2023, 19 September 2023 and 21 December 2023, and the circular of the Company dated 25 May 2023.

Subscription of the CPS under a specific mandate

In order for the Group to raise additional capital for the settlement of debts, on 30 November 2023, Jilin Yuanheng and Jilin Liheng, as CPS Subscribers, and the Company, as issuer, entered into the CPS Subscription Agreement pursuant to which (i) Jilin Yuanheng conditionally agreed to subscribe for the Yuanheng CPS that could be issued to Jilin Yuanheng by fully utilising the subscription monies of Jilin Yuanheng (the "**Jilin Yuanheng Subscription Monies**") (i.e. RMB250,000,000); and (ii) Jilin Liheng conditionally agreed to subscribe for the Liheng CPS that could be issued to Jilin Liheng by fully utilising the subscription monies of Jilin Liheng (the "**Jilin Liheng Subscription Monies**") (i.e. RMB1,330,000,000), at a CPS Subscription Price of HK$0.10 per Subscription CPS, representing a premium of approximately 78.6% over the closing price per Share as quoted on the Stock Exchange of HK$0.056 on the day of the CPS Subscription Agreement. Modern Agricultural Fund, one of the general partners of Jilin Liheng, is at the same time the general partner of PRC LLP, which in turn wholly-owns Modern Agricultural, the controlling Shareholder. Jilin Liheng is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The gross proceeds of the CPS Subscription amounted to approximately HK$$1,726,775,056.97 (equivalent to RMB1,580,000,000.00). The net proceeds from the CPS Subscription, after the deduction of the professional and other related expenses, were approximately HK$1,716,775,057, representing a net issue price of approximately HK$0.099 per Subscription CPS. All conditions precedent under the CPS Subscription Agreement have been fulfilled or waived and the CPS Subscription Completion took place on 4 January 2024.

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

The whole amount of the net proceeds of the CPS Subscription had been utilised for the settlement of the Entire Transferred Loans and had been fully utilised as at the date of this report.

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

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 execution of the resumption of the remaining part of the Relevant Properties in order to settle the outstanding consideration of RMB815.0 million for the purchase of the Repurchased Loans, being certain loans owed by Dihao Foodstuff, Dacheng Bio-Tech and Changchun Dahe and enhance the financial resources of the Group with the proceeds from the resumption of the Relevant Properties.

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

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

IMPORTANT EVENTS AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

Save as disclosed in the paragraphs headed "Important Transactions during the Year – Subscription of the CPS under a specific mandate" in this report in relation to the CPS Subscription Completion which took place on 4 January 2024, there are no other important events of the Group occurred after the end of the reporting period.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2023, the Group had approximately 2,154 (2022: 3,500) full time employees in Hong Kong and the PRC. During the Year, employee cost of continuing operations, including Directors' remuneration, was approximately HK$115,040,000 (2022: HK$196,532,000). The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasingly turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards to its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain competitive remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and discretionary bonuses.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Cheng, aged 54, was appointed as an executive Director and the Chairman on 11 December 2023. Mr. Wang graduated from the Central University of Finance and Economics in July 1992, majoring in accounting. Mr. Wang obtained a postgraduate degree in management science and engineering from Liaoning Technical University in July 2007. Mr. Wang is currently a qualified senior accountant (正高級會計師) of the PRC. Mr. Wang has over 30 years of accounting experience in various provincial units/bodies in Jilin Province, the PRC. Mr. Wang joined 遼源礦業(集團)有限責任公司 (Liaoyuan Mining (Group) Co., Ltd.*) in July 1992 and served as chief accountant from December 2007 to March 2009. Mr. Wang had served as deputy chief economist and chief accountant of Jilin Coal as well as the director, chairman and party committee secretary of various wholly-owned subsidiaries of Jilin Coal from March 2009 to September 2017. Mr. Wang also served as deputy secretary of the party committee of 吉林省國有資本運營有限責任公司 (Jilin Provincial State-owned Capital Operation Co., Ltd.*) from September 2017, and had been further appointed as the general manager from November 2017 to September 2022. From June 2018 to September 2022, he concurrently served as the chairman of 吉林省致晟投資管理有限公司 (Jilin Zhisheng Investment Management Co., Ltd.*). Since September 2022, Mr. Wang has been serving as the party committee secretary and chairman of Nongtou.

Mr. Wang Guicheng, aged 56, was appointed as an executive Director on 31 October 2022. Mr. Wang graduated from 吉林工商學院 (Jilin Business and Technology College*) (formerly known as 吉林糧食高等專科學校 (Jilin Grain College*)) in July 1990, majoring in grain storage and analysis. Mr. Wang has over 32 years of experience in the agricultural industry. Mr. Wang joined 長春大成玉米開發有限公司 (Changchun Dacheng Corn Development Company Limited*), a former subsidiary of the Group, as a quality inspection officer in April 1997. Mr. Wang has then served various senior positions in the Group and the GSH Group and has actively engaged in operational management and the development of production technology. In March 2017, Mr. Wang was appointed as the deputy general manager of the production and operation department of both the Group and the GSH Group, overseeing the overall production operation of the Group and the GSH Group. In December 2018, Mr. Wang has been promoted to the chief operating officer of both the Group and the GSH Group and has been serving in the capacity of the chief operating officer of the Group since then. Mr. Wang was also appointed as an executive director and the chairman of GSH on 31 October 2022. Mr. Wang ceased to be the chairman and the chief operating officer of GSH on 28 December 2023 and resigned as an executive director of GSH on 17 January 2024.

NON-EXECUTIVE DIRECTOR

Mr. Li Yuewen, aged 45, was appointed as a non-executive Director on 10 August 2023. Mr. Li graduated from Southwestern University of Finance and Economics, majoring in economic information management, in June 2002. Mr. Li has over 20 years' experience in finance and wealth management in various securities trading firms and wealth management firms in the PRC. Mr. Li joined 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.*) (one of the beneficial owners of PRC LLP which in turn wholly owns Modern Agricultural, the controlling Shareholder) since October 2012 initially as an investment manager and is currently serving in the capacity of deputy general manager. Mr. Li also holds a fund practitioner qualification in the PRC.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Jiang Fangfang, aged 43, was appointed as an independent non-executive Director on 10 August 2023. Ms. Jiang obtained a bachelor's degree from the Jilin University of Finance and Economics (formerly known as 長春稅務學院 (Changchun Tax College*)), majoring in accountancy in December 2004. Ms. Jiang qualified as a senior accountant (高級會計師) in the PRC in January 2023. Ms. Jiang has accumulated over 20 years' experience in accounting in various private enterprises in the PRC. Ms. Jiang joined 吉林省通暢標識標牌有限責任公司 (Jilin Tongchang Signage Co., Ltd.*) (formerly known as 吉林省通暢服務中心 (Jilin Tongchang Service Center*)) in March 2007 as an accountant and is currently the head of the financial department.

Mr. Tan Chao, aged 67, was appointed as an independent non-executive Director on 28 September 2023. Mr. Tan graduated from the Open University of China (formerly known as the China Central Radio and TV University) in August 1986, majoring in financial management. Mr. Tan is also a member of the Chinese Institute of Certified Public Accountants. Mr. Tan has over 42 years of accounting experience in various state-owned enterprises and private enterprises in China. Mr. Tan served as the deputy director of the accounting department of Jilin Province Department of Finance from March 1987 to July 1994 and the financial director of 吉林省國際經濟貿易開發公司 (Jilin Province International Economy and Trade Development Corporation*) from August 1994 to August 1998 respectively. From September 1998 to August 2002, Mr. Tan served as the chairman of 招賢求實會計師事務所 (Zhaoxian Qiushi Certified Public Accountants*). He served as a partner of Dahua CPA from September 2002 to December 2016. Afterwards, Mr. Tan had continued to serve as a senior consultant of Dahua CPA and retired at September 2023.

Ms. Xie Liangqiu, aged 54, was appointed as an independent non-executive Director on 10 August 2023. Ms. Xie graduated from the Jilin University of Finance and Economics (formerly known as 吉林財貿學院 (Jilin College of Finance and Trade*)), majoring in accountancy in July 1992. Ms. Xie attained a master's degree in Business Administration and a doctoral degree in Econometrics from Business School of Jilin University in December 2002 and in December 2008, respectively. Since July 1992, Ms. Xie has been teaching in 長春工程學院 (Changchun Institute of Technology*), focusing in the education and researches in accounting and finance areas.

SENIOR MANAGEMENT

Mr. Sha Yu Feng, aged 50, was appointed as chief accountant of the Group in November 2022. Mr. Sha obtained a bachelor's degree from the Jilin University of Finance and Economics (formerly known as 長春稅務學院 (Changchun Tax College*)) in December 1995, majoring in accountancy. Mr. Sha is also a member of the Chinese Institute of Certified Public Accountants. Mr. Sha has over 28 years of accounting experience in various private enterprises and listed enterprises in China. From July 1995 to May 2007, Mr. Sha joined 中准會計師事務所 (Zhongzhun Certified Public Accountants) and last served as senior project manager. Mr. Sha joined Nuode New Materials Co., Ltd., a company listed on Shenzhen Stock Exchange (Stock Code: 600110), and served as financial controller, deputy chief executive officer and chief executive officer from May 2007 to May 2017. He served as chief executive officer and chairman of 吉林利源精制股份有限公司 (Jilin Liyuan Precision Manufacturing Co., Limited*) from May 2018 to May 2019. Afterwards, Mr. Sha was appointed by 吉林省東北襪業紡織工業園發展有限公司 (Jilin Northeast Socks and Textile Industrial Park Development Co., Ltd. *) as chief consultant from May 2019 to November 2022.

Mr. Tai Shubin, aged 43, graduated from 吉林工商學院 (Jilin Business and Technology College*) (formerly known as 吉林糧食高等專科學校 (Jilin Grain College*)) in July 2004 majoring in financial management. In December 2014, he obtained a bachelor's degree in social work and management from Jilin University. Mr. Tai qualified as a senior management accountant (高級管理會計師) in the PRC in October 2020 and an International Certified Public Accountant from 中國企業財務管理協會 (Enterprise Financial Management Association of China) in September 2021. Mr. Tai has over 18 years of experience in accounting and financial management and served in various capacities in different state-owned enterprises in Jilin Province's agricultural sector, including 吉林吉糧平安米業有限公司 (Jilin Jiliang Ping'an Rice Industry Co., Ltd.*), 吉林糧食資產管理有限公司 (Jilin Grain Asset Management Co., Ltd.*) and Nongtou. Mr. Tai has been a director of Nongtou from August 2016 to February 2022. Mr. Tai was also the financial controller for mainland China region of the Group between July 2018 and October 2022 and has been promoted to the deputy general manager for mainland China region of the Group in October 2022 and primarily responsible for overseeing the Group's procurement department. Mr. Tai was appointed as executive director of GSH on 17 December 2020 and re-designated to a non-executive director of GSH on 18 January 2024.

Mr. Chan Sing Fai, aged 40, was appointed as the company secretary and financial controller of the Company on 23 April 2018, and has over 16 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 Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and is an associate member of the Hong Kong Chartered Governance Institute. Mr. Chan has served the Group for over 8 years. He is also the company secretary and financial controller of GSH.

CORPORATE CULTURE

The Company is committed to ensure high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is essential in enhancing the confidence of current and potential Shareholders, investors, employees, business partners and the community as a whole. As such, the Group has been striving to achieve the objectives of (1) providing quality food and excellent service to meet the needs of the customers; (2) protecting the investment of Shareholders; and (3) promoting the sustainable development of the Company for the society. In order to facilitate the objectives of the Group, the Group has established, among others, different departments and teams to promote and maintain high standard of corporate governance, for instance, the Environmental, Social and Governance (the "**ESG**") working group, risk management and internal audit department. The Board (including the independent non-executive Directors) is responsible for the monitoring and supervising of the functions of the teams. The Directors believe that the effectiveness of risk management analysis, internal control policy and ESG functions shall enhance day-to-day operation of the Group, including products safety review, strategy development, business planning, capital allocation and investment decisions.

COMPLIANCE WITH THE CG CODE AND THE MODEL CODE

To the best knowledge and belief of the Board, the Company has applied and complied with all code provisions in part 2 of the CG Code 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. 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 (l)	Executive Committee meeting	AGM
Executive Directors							
Wang Cheng *(Chairman)* (a)	–		–	–	–	–	–
Wang Guicheng (b)	9/11					–	1/1
Yang Jian (c)	9/11		3/3	3/3	–	–	1/1
Non-executive Directors							
Li Yuewen (d)	4/5						–
Gao Dongsheng (e)	3/6						1/1
Independent non-executive Directors							
Jiang Fangfang (f)	5/5	2/2	2/2	2/2	–		–
Tan Chao (g)	2/2	1/1	1/1	1/1	–		–
Xie Liangqiu (h)	5/5	2/2					–
Dong Hongxia (i)	5/6	2/2	–	–	–		1/1
Ng Kwok Pong (j)	7/9	2/3	1/1	1/1	–		1/1
Yeung Kit Lam (k)	5/6	2/2					1/1

Remarks:

(a) Mr. Wang Cheng has been appointed as an executive Director, the Chairman, the chairman of the Nomination Committee, and a member of each of the Executive Committee, the Remuneration Committee, the Corporate Governance Committee with effect from 11 December 2023.

(b) Mr. Wang Guicheng absented from two board meetings during the Year, as he was required to abstain from voting and be absent from the meeting after disclosure of his conflict of interest. Consequently, Mr. Wang only attended nine out of eleven board meetings during the Year.

(c) Mr. Yang Jian absented from two board meetings during the Year, as he was required to abstain from voting and be absent from the meeting after disclosure of his conflict of interest. Consequently, Mr. Yang only attended nine out of eleven board meetings during the Year. Mr. Yang has resigned as an executive Director, and has ceased to be the Chairman, the chairman of the Nomination Committee, a member of each of the Remuneration Committee, the Corporate Governance Committee and the Executive Committee with effect from 11 December 2023.

(d) Mr. Li Yuewen has been appointed as a non-executive Director with effect from 10 August 2023. Mr. Li absented from one board meeting during the Year, as he was required to abstain from voting and absent from the meeting after disclosure of his conflict of interest. Consequently, Mr. Li only attended four out of five board meetings during the Year.

(e) Mr. Gao Dongsheng has resigned as a non-executive Director with effect from 10 August 2023. Mr. Gao absented from three board meetings during the Year, as he was required to abstain from voting and absent from one of the meetings after disclosure of his conflict of interest. Consequently, Mr. Gao only attended three out of six board meetings during the Year.

(f) Ms. Jiang Fangfang has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee with effect from 10 August 2023.

(g) Mr. Tan Chao has been appointed as an independent non-executive Director, a chairman of each of the Audit Committee, Remuneration Committee, Corporate Governance Committee and a member of the Nomination Committee with effect from 28 September 2023.

(h) Ms. Xie Liangqiu has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 10 August 2023.

(i) Ms. Dong Hongxia has resigned as an independent non-executive Director and ceased to be a member of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee with effect from 10 August 2023. Ms. Dong absented from one board meeting during the Year, as she was required to abstain from voting and be absent from the meeting after disclosure of her conflict of interest. Consequently, Ms. Dong only attended five out of six board meetings during the Year.

(j) Mr. Ng Kwok Pong has resigned as an independent non-executive Director and ceased to be a chairman of each of the Audit Committee, Remuneration Committee, Corporate Governance Committee and a member of the Nomination Committee with effect from 28 September 2023. Mr. Ng absented from two board meetings during the Year, as he was required to abstain from voting and be absent from one of the meetings after disclosure of his conflict of interest. Consequently, Mr. Ng only attended seven out of nine board meetings during the Year.

(k) Mr. Yeung Kit Lam has resigned as an independent non-executive Director and ceased to be a member of the Audit Committee with effect from 10 August 2023. Mr. Yeung absented from one board meeting during the Year, as he was required to abstain from voting and be absent from the meeting after disclosure of his conflict of interest. Consequently, Mr. Yeung only attended five out of six board meetings during the Year.

(l) The corporate governance committee held a meeting on 8 January 2024 to review, formulate and consider the nomination procedures as well as the policy on Board diversity from time to time adopted by the Board.

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 24 to page 25 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 Company has established sound mechanism(s) to ensure that the Board has a strong independent element and that independent views and input are available to the Board, and the mechanism(s) will be reviewed annually to ensure they are effective. The mechanism(s) for enhancing the independence of the Board are incorporated in our recruitment and selection process of independent non-executive Directors as set out below:

Recruitment process of independent non-executive Directors

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

- directorship(s) at other issuer(s) undergoing a period with particularly active transactions, such as acquisition(s) or takeover(s);
- chairing the board(s) and/or board committee(s) of other issuer(s);

- membership(s) of board committee(s) of other issuer(s);
- acting as chief executive officer or full-time executive director for other issuer(s); and
- being an independent non-executive director for multiple boards and taking up significant commitments at governmental or non-profit making organisations.

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

Number of independent non-executive Directors

According to Rule 3.10 and 3.10A of the Listing Rules, the Board must: (1) include at least three independent non-executive Directors and at least one of 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. During the Year, Mr. Ng Kwok Pong, being an independent non-executive Director prior to his resignation on 28 September 2023, was a member of the HKICPA, and Mr. Tan Chao, who was appointed as an independent non-executive Director on 28 September 2023, was a member of the Chinese Institute of Certified Public Accountants. Both Mr. Ng and Mr. Tan have the appropriate professional accounting qualifications and related financial management experience.

Independence of the long serving independent non-executive Directors

Pursuant to code provision B.2.3 to part 2 of the CG Code, if an independent non-executive Director has served more than nine years, such Director's further appointment should be subject to a separate resolution to be approved by the Shareholders. The papers to the Shareholders accompanying that resolution should state why the Board (or the Nomination Committee) believes that the Director is still independent and should be re-elected, including the factors considered, the process and the discussion of the Board (or the Nomination Committee) in arriving at such determination. As at the date of this report, 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.

Annual review of the independence of independent non-executive Directors

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 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 and effectiveness of the board diversity policy and report to the Board annually.

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

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

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

1) at least one director of a different gender 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;

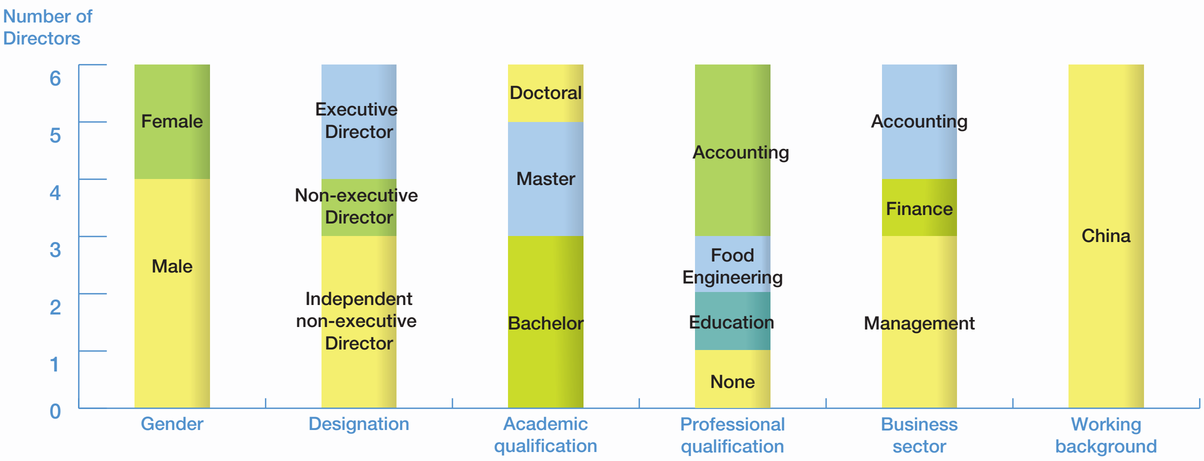
4) A prescribed proportion of members on the Board possessing accounting or other professional qualifications;

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

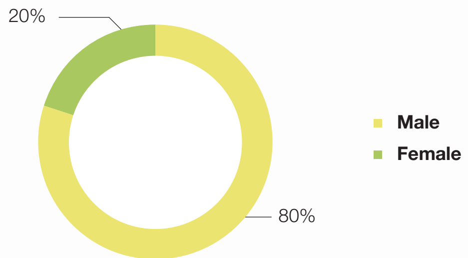
6) A prescribed proportion of members on the Board possessing China-related work experience.

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:



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



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

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Measures have been taken 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 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, every member of the Board shall retire by rotation at the AGM 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		
Wang Cheng *(Appointed on 11 December 2023)*		✓
Wang Guicheng		✓
Yang Jian *(Resigned on 11 December 2023)*		✓
Non-executive Directors		
Li Yuewen *(Appointed on 10 August 2023)*		
Gao Dongsheng *(Resigned on 10 August 2023)*		✓
Independent non-executive Directors		✓
Jiang Fangfang *(Appointed on 10 August 2023)*		✓
Tan Chao *(Appointed on 28 September 2023)*		✓
Xie Liangqiu *(Appointed on 10 August 2023)*		✓
Dong Hongxia *(Resigned on 10 August 2023)*		✓
Ng Kwok Pong *(Resigned on 28 September 2023)*		✓
Yeung Kit Lam *(Resigned on 10 August 2023)*		✓

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. Wang Cheng is the 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. Li Yuewen was appointed as a non-executive Director on 10 August 2023. Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu were appointed as the independent non-executive Directors on 10 August 2023, 28 September 2023 and 10 August 2023, 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:

	2023 ***HK$'000***	2022 *HK$'000*
Fees	**1,087**	1,252
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**–**	–
Pension scheme contributions	**159**	177
	159	177
Total	**1,246**	1,429

(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*
2023				
Jiang Fangfang (a)	47	–	–	47
Tan Chao (b)	31	–	–	31
Xie Liangqiu (c)	47	–	–	47
Dong Hongxia (d)	70	–	11	81
Ng Kwok Pong (e)	179	–	–	179
Yeung Kit Lam (f)	146	–	–	146
Total	520	–	11	531
2022				
Dong Hongxia	119	–	19	138
Ng Kwok Pong	240	–	–	240
Yeung Kit Lam	240	–	–	240
Total	599	–	19	618

Remarks:

(a) Ms. Jiang Fangfang was appointed as an independent non-executive Director on 10 August 2023.

(b) Mr. Tan Chao was appointed as an independent non-executive Director on 28 September 2023.

(c) Ms. Xie Liangqiu was appointed as an independent non-executive Director on 10 August 2023.

(d) Ms. Dong Hongxia resigned as an independent non-executive Director on 10 August 2023.

(e) Mr. Ng Kwok Pong resigned as an independent non-executive Director on 28 September 2023.

(f) Mr. Yeung Kit Lam resigned as an independent non-executive Director on 10 August 2023.

There were no other emoluments payable to the independent non-executive Directors during the Year (2022: 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 (2022: 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*
2023				
Wang Cheng (a) and (b)	—	—	—	—
Wang Guicheng	567	—	148	715
Yang Jian (a) and (c)	—	—	—	—
Total	567	—	148	715
2022				
Yang Jian (a) and (c)	—	—	—	—
Wang Guicheng (d)	50	—	18	68
Zhang Zihua (a) and (e)	—	—	—	—
Liu Shuhang (f)	603	—	140	743
Total	653	—	158	811

Remarks:

(a) According to the Directors' service contracts entered into between the Company and each of Mr. Wang Cheng, Mr. Yang Jian and Mr. Zhang Zihua, they were not entitled to any basic salary, allowances, management bonus, pension scheme contribution and any benefits in kind.

(b) Mr. Wang Cheng was appointed as an executive Director on 11 December 2023.

(c) Mr. Yang Jian was appointed as an executive Director on 31 October 2022 and resigned as an executive Director on 11 December 2023.

(d) Mr. Wang Guicheng was appointed as an executive Director on 31 October 2022.

(e) Mr. Zhang Zihua resigned as an executive Director on 11 October 2022.

(f) Mr. Liu Shuhang resigned as an executive Director on 31 October 2022.

(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	2
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. While the Auditor has included in their report a paragraph in relation to material uncertainty related to going concern, the management of the Company is of the view that the Group will be able to continue its operation in foreseeable future for the following reasons:

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

As disclosed in the joint announcements of the Company and GSH dated 23 December 2020 and 26 March 2021, and the announcements of the Company dated 8 March 2022 and 24 July 2023, as part of the Group's debt restructuring plan, four major lender banks of the Group had transferred the loans owed by the Group to Jilin Cinda and Changchun Rudder. As disclosed in the announcement of the Company dated 4 January 2024, the Group was notified by Jilin Cinda and Nongtou on 31 December 2023 that the Entire Transferred Loans had been transferred to Nongtou. On 31 December 2023, Nongtou, as the then creditor of the Entire Transferred Loans, and several subsidiaries of the Group, being the debtors and co-debtors of the Entire Transferred Loans, had entered into the Debt Restructuring Agreement pursuant to which the Group has agreed to repay to Nongtou RMB1,580.0 million by no later than 30 January 2024 for the full settlement of the Entire Transferred Loans. In January 2024, a substantial part of the debt restructuring plan in relation to the Entire Transferred Loans took place. The Group has transferred a total of RMB1,580.0 million (comprising the entire net proceeds from the CPS Subscription of approximately HK$1,716,775,057 and self-financing fund) to Nongtou for the purpose of the settlement of the Entire Transferred Loans, and all repayment obligations of the Group under the Debt Restructuring Agreement have been fulfilled.

The Group will strive to resolve the outstanding amounts of RMB815.0 million owed to Changchun Rudder, i.e. the Repurchased Loans, which included a portion of loans owed by Dihao Foodstuff, Dacheng Bio-Tech and Changchun Dahe, that was first transferred by the then creditors to Jilin Cinda, and then further transferred to Changchun Rudder, and finally repurchased by the Group from Changchun Rudder at a total consideration of RMB815.0 million on 31 March 2021.

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

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

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

The Group has taken various measures to minimise the operating cost and develop new business line to enhance the operating cash flow during market turbulence. During the Year, the Group has continued to maximise the production capacity of the production facilities in amino acids operation and is expected to launch a series of high value-added products to expand the sales in 2024. The Directors expect that the amino acids operation will generate adequate cash inflow to the Group in 2024.

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

The Group has received an updated written confirmation dated 29 February 2024 from Nongtou 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 was not secured by any assets of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net asset value as at 31 December 2023 amounted to approximately RMB2,010.7 million (31 December 2022: approximately RMB2,105.5 million). It is tasked to consolidate the state-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou will be able to support the operations of the Group, provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group.

As at 31 December 2023, the Group's liabilities due to the Nongtou Group amounted to approximately HK$3,153.2 million and the Nongtou Group agreed to support the Group in the following 12 months and agreed that repayment request will not be made while the financial situation of the Group does not allow. In addition, the Directors are of the view that the Nongtou Group would be able to support the operations of the Group by providing a stable supply of corn with better commercial terms via the master supply agreement entered into between the Company (for itself and on behalf of its subsidiaries from time to time), as purchaser, and Nongtou (for itself and on behalf of itself and its subsidiaries from time to time), as seller, for supplying the corn kernels with effect from 21 December 2023.

(d) Completion of connected transaction in relation to the issue of CPS

Pursuant to the announcement of the Company dated 4 January 2024, all the conditions precedent set out in the CPS Subscription Agreement in relation to the issuance by the Company of, and the subscription by the CPS Subscribers for, the CPS, i.e. the CPS Subscription, have been fulfilled and the completion of the CPS Subscription has taken place on 4 January 2024. The Company has subsequently issued 14,535,514,629 CPS to Jilin Liheng and 2,732,235,940 CPS to Jilin Yuanheng pursuant to the terms of the CPS Subscription Agreement, receiving the net proceeds of approximately HK$1,716.8 million from the CPS Subscription, which had been used to repay Nongtou in relation to the Entire Transferred Loans which had been transferred from Jilin Cinda to Nongtou on 31 December 2023. As such, the financial position of the Group improved significantly.

MANAGEMENT FUNCTIONS

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

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee with clearly defined written terms of reference adopted in compliance with the CG code. The Company also set up the Executive Committee for the purpose of effective and timely management of the day to day activities of the Group.

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 three independent non-executive Directors, namely, Mr. Tan Chao (chairman of the Audit Committee), Ms. Jiang Fangfang and Ms. Xie Liangqiu.

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

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

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

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

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

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

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

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

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

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

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

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

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises one executive Director, Mr. Wang Cheng (chairman of the Nomination Committee), and two independent non-executive Directors, namely, Ms. Jiang Fangfang and Mr. Tan Chao. The Nomination Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The duties of the Nomination Committee are, among others, determining policy for the nomination of the Directors, including the nomination procedures, 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 paragraphs headed "Board diversity" on page 31 of this report.

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

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

1) Succession planning of the Directors;

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

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

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

5) Relevant requirements for a candidate to be a director 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 31 to page 33 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.

REMUNERATION COMMITTEE

At the date of this report, the Remuneration Committee comprises one executive Director, Mr. Wang Cheng and two independent non-executive Directors, namely, Mr. Tan Chao (chairman of the Remuneration Committee) and Ms. Jiang Fangfang. The Remuneration Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration package 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.

The Remuneration Committee held regular meeting to review and make recommendations to the Board on the remuneration packages of the Directors and the senior management.

CORPORATE GOVERNANCE COMMITTEE

As at the date of this report, the Corporate Governance Committee comprises one executive Director, Mr. Wang Cheng and two independent non-executive Directors, namely, Mr. Tan Chao (chairman of the Corporate Governance Committee) and Ms. Jiang Fangfang. The Corporate Governance Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The 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 code provisions in part 2 of the CG Code during the Year.

EXECUTIVE COMMITTEE

At the date of this report, the Executive Committee comprises two executive Directors, namely, Mr. Wang Cheng and Mr. Wang Guicheng (chairman of the Executive Committee). The Executive Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The duties of the 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

The Auditor's remuneration amounted to HK$1,450,000 was incurred for the audit services provided by Mazars CPA Limited for the Year.

During the Year, service fees for the review of interim report and circulars in the aggregate amounted to HK$1,253,000 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 68 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 26 of this report.

INVESTOR RELATIONS

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

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

The notice of AGM will be distributed to all 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.

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

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

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

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

To the best knowledge of the Directors, as of 31 December 2023, details of the Shareholders by type and aggregate shareholding are as follow:

	Number of Shares held	Percentage of shareholding	Market capitalisation (HK$ million)
Director			
– Mr. Wang Guicheng	**500,000**	**0.01%**	**0.053**
Modern Agricultural	**3,135,509,196**	**35.20%**	**332.4**
HK Bloom	**2,508,407,357**	**28.16%**	**265.9**
Public float in Hong Kong	**3,262,989,164**	**36.63%**	**345.9**
Total	**8,907,405,717**	**100.00%**	**944.2**

The 2023 AGM was held on 25 May 2023 to approve the 2022 audited consolidated financial statements, grant of the new issue mandate and the repurchase mandate, the re-election of the Directors and proposed amendments and adoption of the amended and restated Memorandum and Articles of Association. All resolutions proposed were passed by way of poll.

On 20 June 2023, an EGM was held to approve (i) the GSH SPA entered into between Global Corn Bio-Chem, as vendor and GSH Joint Offerors in relation to the sale and purchase of the GSH Sale Shares; and (ii) the GSH CB Subscription Agreement. All resolutions proposed were passed by way of poll.

On 3 August 2023, an EGM was held to approve, among others, the Second Supplemental Agreement. All resolutions proposed were passed by way of poll.

On 21 December 2023, an EGM was held to approve the 2023 Master Supply Agreement. The resolution proposed were passed by way of poll.

On 31 December 2023, an EGM was held to approve (i) the CPS Subscription Agreement; (ii) the proposed increase in the authorised share capital of the Company from HK$2,000,000,000 divided into 20,000,000,000 Shares to HK$6,000,000,000 divided into 30,000,000,000 Shares and 30,000,000,000 CPS (the "**Increase in Authorised Share Capital**"); and (iii) the adoption of the amended and restated of the Memorandum and Articles of Association for (a) the incorporation of the relevant terms of the CPS; and (b) reflecting the Increase in Authorised Share Capital. All resolutions proposed were passed by way of poll.

The 2024 AGM will be held on 20 June 2024 to approve, among others, the 2023 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

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 risk management 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.

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 risk management systems with reference to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) risk management 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 2023	Key risk mitigations
Financial risks:		
Liquidity risk of inadequate funding	Strategic investors have been introduced and assisted to resolve the liquidity problem	Continued effort to facilitate the resumption of the Relevant Properties to improve the liquidity of the Group Maintain the business operation in Changchun Dahe to generate the cash inflow
Inability to renew the bank borrowings on time	Strategic investors have been introduced and fund raised had been used to repay a significant portion of bank and other borrowings to facilitate the debts restructuring plan	Continued effort to facilitate the resumption of the Relevant Properties to settle the remaining loans
Strategic risk:		
Market competition	Facing direct keen competition in lysine market	Additional research and development efforts targeted to diversify product range and mix to serve changing market needs Exploring new export markets for the Group's products
Operation risk:		
Ageing production plants	Productivity lowered with ageing production facilities	Continuous research and development efforts to improve efficiency and introduce new products Upgrading production facilities so as to improve production technology efficiency and product mix to cope with market changes

In the Year, 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 relevant code provisions as set out in part 2 of the CG Code on internal controls and risk management during the Year. As such, the Board considers that the Group's internal control procedures and risk management functions are both effective and adequate.

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.

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 (including ESG related risks). The annual review also covers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions as well as those relating to the ESG performance and reporting of the Group. No significant control failings or weaknesses 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 internal audit department of the Group 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 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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

CONSTITUTIONAL DOCUMENT

The Company has amended the Memorandum and Articles of Association by way of a special resolution passed on 25 May 2023 in order to, among others, (i) allow a general meeting to be held as an electronic meeting or hybrid meeting; (ii) comply with the Listing Rules in respect of the adoption of a uniform set of 14 "Core Standards" for Shareholders protection. Subsequently, special resolution was passed on 31 December 2023 to further amend the Memorandum and Articles of Association to (i) incorporate relevant terms of the CPS; and (ii) reflecting the Increase in Authorised Share Capital. The Memorandum and Articles of Association 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 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 in an AGM or by a special resolution of the Company;

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

Report of the Directors

The Directors 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 and Analysis on page 9 to page 10 and page 11 to page 23 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 paragraphs headed "Risk management and internal control" on page 47 to page 50 of this report. Particulars of important events affecting the Group that have occurred since the end of the financial year are disclosed in Management Discussion and Analysis under section headed "Important events affecting the Group subsequent to the Year under review" on page 22 of this report. An indication of likely future development of the Group is disclosed in the section headed "Management Discussion and Analysis – Future plans and prospects" on page 22 of this report.

RESULTS AND DIVIDENDS

The Group's profit 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 74 to page 167 of this report.

The Directors do not recommend the payment of any dividend for the Year (2022: Nil). The Company adopts a dividend policy which is set out on page 46 of this report.

FINANCIAL INFORMATION SUMMARY

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/represented as appropriate, is set out on page 168 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 32 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 has purchased, redeemed or sold any of the Company's listed securities during the Year.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 40(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, 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 2023 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

Under the continuing operations of the Group, sales to the Group's five largest customers from continuing operations accounted for 29.4% of the total sales for the Year, and sales to the largest customer included therein accounted for 9.9% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for 36.4% of the total purchases for the Year and the purchase from the largest supplier included therein accounted for 24.7% of the total purchases for the Year.

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

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.

Report of the Directors

DIRECTORS

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

Executive Directors:

Wang Cheng *(Appointed on 11 December 2023)*
Wang Guicheng
Yang Jian *(Resigned on 11 December 2023)*

Non-executive Directors:

Li Yuewen *(Appointed on 10 August 2023)*
Gao Dongsheng *(Resigned on 10 August 2023)*

Independent non-executive Directors:

Jiang Fangfang *(Appointed on 10 August 2023)*
Tan Chao *(Appointed on 28 September 2023)*
Xie Liangqiu *(Appointed on 10 August 2023)*
Dong Hongxia *(Resigned on 10 August 2023)*
Ng Kwok Pong *(Resigned on 28 September 2023)*
Yeung Kit Lam *(Resigned on 10 August 2023)*

According to article 104(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. Wang Guicheng will retire as an executive Director and being eligible, will offer himself for re-election as an executive Director at the AGM.

In addition, pursuant to article 108 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an additional Director and any Director so appointed shall hold office only until the first AGM after his appointment and shall then be eligible for re-election at the meeting. By virtue of article 108 of the Articles of Association, the office of Mr. Wang Cheng, being the executive Director, Mr. Li Yuewen, being the non-executive Director, and Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, being the independent non-executive Directors, all of which were appointed during the Year, will end at the AGM. Mr. Wang Cheng, Mr. Li Yuewen, Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu being eligible, will offer themselves for re-election as Directors at the AGM.

The Company has received annual confirmations from each of Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu 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 24 to page 26 of this report.

DIRECTORS' SERVICE AGREEMENTS AND APPOINTMENT LETTERS

Each of the executive Directors, Mr. Wang Cheng and Mr. Wang Guicheng entered into a service agreement with the Company for an initial term of one year commencing from 11 December 2023 and 31 October 2022, respectively, 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. Li Yuewen has entered into an appointment letter with the Company for a term of two years commencing on 10 August 2023. The independent non-executive Directors, Ms. Jiang Fangfang, Mr. Tan Chao and Ms. Xie Liangqiu, have each entered into an appointment letter with the Company for a term of two years commencing on 10 August 2023, 28 September 2023 and 10 August 2023, 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

Set out below is the interest of the Directors in the transactions, arrangements of contracts of significance to the Group during the Year:

— Mr. Wang Guicheng, as an executive Director, the then executive director and chairman of the board of directors of GSH, and a shareholder of the each of GBT and GSH, had interest in the GSH SPA, the GSH CB Subscription Agreement, the Dihao SPAs and the GBT Counter-Guarantee. For further details in respect of the aforementioned agreements, please refer to the section headed "Management Discussion and Analysis — Important Transactions during the Year" on page 19 to page 22 of this report.

— (i) Mr. Yang Jian, as an executive Director (who resigned on 11 December 2023) and the director and general manager of Nongtou; (ii) Mr. Li Yuewen, as a non-executive Director (who was appointed on 10 August 2023) and the deputy 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.*), which owned approximately 13.3% of the investment capital of PRC LLP; and (iii) Mr. Wang Cheng, as an executive Director (who was appointed on 11 December 2023) and the chairman of Nongtou, are considered to be interested/then interested in the CPS Subscription Agreement. For further details in respect of the CPS Subscription Agreement, please refer to the section headed "Management Discussion and Analysis — Important Transactions during the Year — Subscription of the CPS under a specific mandate" on page 21 to page 22 of this report.

— Mr. Yang Jian, as an executive Director (who resigned on 11 December 2023) and the director and general manager of Nongtou, was also considered to be then interested in the 2023 Master Supply Agreement. For further details in respect of the 2023 Master Supply Agreement, please refer to the paragraphs headed "Continuing Connected Transactions — 2023 Master Supply Agreement" on page 61 to page 62 of this report.

— Mr. Wang Cheng, as an executive Director (who was appointed on 11 December 2023) and the chairman of Nongtou, is also considered to be interested in (a) the service agreement for debt restructuring plan (the "**Debt Restructuring Service Agreement**") entered into between (i) Changchun Dahe, Dihao Foodstuff, Changchun Baocheng, Dacheng Bio-Tech (collectively, the "**Relevant Subsidiaries**"); and (ii) Nongtou; and (b) the 2023 Master Supply Agreement. For further details in respect of the Debt Restructuring Service Agreement and the 2023 Master Supply Agreement, please refer to the paragraphs headed "Continuing Connected Transactions — Debt Restructuring Service Agreement and the 2023 Master Supply Agreement" on page 61 to page 63 of this report.

Save as disclosed, none of the Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this report, there was or is permitted indemnity provision (within the meaning in Section 469 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) in the Articles of Association being in force. The Company has maintained directors' and officers' liability insurance throughout the Year, which provides appropriate cover on certain legal actions brought against 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 paragraphs headed "Connected Transactions" on page 61 to page 64 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 2023, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executives of the Company 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, were as follows:

Long positions in ordinary Shares:

	Number of Shares held, capacity and nature of interest			
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Wang Guicheng	500,000	–	500,000	0.01

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of 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 2023, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares 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:

Name	**Capacity/nature of interest**	Remarks	**Number of ordinary Shares held**	**Approximate percentage of the Company's issued share capital** (f)
HK Bloom	Beneficial owner	(a)	2,508,407,357	28.16
Modern Agricultural	Beneficial owner	(b)	8,308,269,029	93.27
Jilin Liheng	Beneficial owner	(c)	14,535,514,629	163.18
Jilin Yuanheng	Beneficial owner	(d)	2,732,235,940	30.67
Bank of Jilin Co., Ltd	Security interest in Shares	(e)	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 interested by HK Bloom.

(b) (i) Amongst 8,308,269,029 Shares 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 2023, Modern Agricultural was the beneficial owner of 3,135,509,196 Shares, 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, 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 3 August 2023, Modern Agricultural has obtained a waiver under note 1 on dispensations from Rule 26 of 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.

(ii) The entire issued capital of Modern Agricultural is held by Modern Agricultural Holdings which is in turn wholly-owned by PRC LLP. The sole general partner of PRC LLP is Modern Agricultural Fund. As at the date of this report, the investment capital of PRC LLP is owned as to 60.0% by Nongtou (Nongtou is controlled by Jilin SASAC), as to 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.*) and as to 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.*). Accordingly, each of Modern Agricultural Holdings, PRC LLP, Modern Agricultural Fund, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by Modern Agricultural in the Company under the SFO.

(c) All Shares represented Shares which may be issued to Jilin Liheng upon full conversion of the Subscription CPS. Upon full conversion of the Subscription CPS, Jilin Liheng will become the holder of 14,535,514,629 Shares, representing approximately 55.53% of the issued share capital of the Company as enlarged by the allotment and issue of CPS Conversion Shares under the Subscription CPS. The general partners of Jilin Liheng are Jilin Changbaishan (which is ultimately owned as to approximately 90.3% by Jilin SASAC and approximately 9.7% by Jilin DOF) and Modern Agricultural Fund. As at the date of this report, the investment capital of Jilin Liheng is owned as to 1.1% by Jilin Changbaishan, as to 1.11% by Modern Agricultural Fund, as to 67.8% by 長春潤城投資有限公司 (Changchun Runcheng Investment Co., Ltd.*) (which is owned as to approximately 51.9% by 長春市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 Changchun City*) ("**Changchun SASAC**") and approximately 48.1% by Changchun MFB, as to 18.5% by 吉林省股權基金投資有限公司 (Jilin Province Equity Fund Investment Co., Ltd.*) (which is wholly-owned by Jilin DOF) and as to 11.5% by Nongtou. Accordingly, each of Modern Agricultural Fund, Nongtou, Jilin Changbaishan, Changchun SASAC and Jilin DOF is deemed to be interested in the Shares held by Jilin Liheng in the Company under the SFO.

(d) All Shares represented Shares which may be issued to Jilin Yuanheng upon full conversion of the Subscription CPS. Upon full conversion of the Subscription CPS, Jilin Yuanheng will become the holder of 2,732,235,940 Shares, representing approximately 10.44% of the issued share capital of the Company as enlarged by the allotment and issue of CPS Conversion Shares under the Subscription CPS. The sole general partner of Jilin Yuanheng is Jilin Changbaishan. As at the date of this report, the investment capital of Jilin Yuanheng is owned as to 2.2% by Jilin Changbaishan, as to 62.5% by 吉林省致晟投資管理有限公司 (Jilin Zhisheng Investment Management Co., Ltd.*) (which is owned as to approximately 90.3% by Jilin SASAC and approximately 9.7% by Jilin DOF), as to 15.6% by 吉林省股權基金投資有限公司 (Jilin Provincial Equity Fund Investment Co., Ltd.*) (which is wholly-owned by Jilin DOF), as to 12.5% by 長春市股權投資基金管理有限公司 (Changchun Equity Investment Fund Management Co., Ltd.*) (which is ultimately wholly-owned by Changchun MFB) and as to 7.2% by 長春淨月產業基金投資有限公司 (Changchun Jingyue Industrial Fund Investment Co., Ltd.*) (which is ultimately wholly-owned by 長春淨月高新技術產業開發區財政局 (Finance Bureau of Changchun Jingyue High-tech Industrial Development Zone*)) ("**Changchun Finance Bureau**"). Accordingly, each of Jilin Changbaishan, Jilin SASAC, Jilin DOF and Changchun Finance Bureau is deemed to be interested in the Shares held by Jilin Yuanheng in the Company under the SFO.

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

(f) Calculated on the basis of 8,907,405,717 Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' and chief executives' interests and short positions in Shares and underlying Shares" above, had interest or short position in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Continuing connected transactions

(i) ***New Master Supply Agreement, New Master Sales Agreement and 2023 Master Supply Agreement***

On 27 November 2020, 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 entered into (i) the new master supply agreement dated 27 November 2020 (the "**New Master Supply Agreement**") 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 (HK$1,793,000,000 for the Year) on an ongoing basis; and (ii) the new master sales agreement dated 27 November 2020 (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 members of the Group to members of the Nongtou Subsidiaries Group, and the related annual caps (HK$131,000,000 for the Year) on an ongoing basis. The New Master Supply Agreement and the New Master Sales Agreement expired on 31 December 2023.

Due to the expiration of the New Master Supply Agreement on 31 December 2023, on 1 November 2023, the Company entered into the 2023 Master Supply Agreement with Nongtou (for itself and on behalf of its subsidiaries from time to time). The 2023 Master Supply Agreement has become effective on 21 December 2023, i.e. the date of obtaining of independent Shareholders' approval at the EGM on 21 December 2023. Upon the 2023 Master Supply Agreement becoming effective, the New Master Supply Agreement was terminated contemporaneously. For details of the 2023 Master Supply Agreement, please refer to the Company's announcement dated 1 November 2023 and circular dated 6 December 2023.

Pursuant to the New Master Supply Agreement/2023 Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with the Nongtou Subsidiaries Group/Nongtou Group from time to time during the term of the New Master Supply Agreement/2023 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/2023 Master Supply Agreement, at pricing terms and otherwise on terms in compliance with those set out in the New Master Supply Agreement/2023 Master Supply Agreement.

Under the New Master Supply Agreement/2023 Master Supply Agreement, the Nongtou Subsidiaries Group/Nongtou 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 any of/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 (This pricing term is not applicable under the 2023 Master Supply Agreement);

(2) the average unit corn transaction price published (玉米單位平均交割結算價) of the latest trade matching day before the proposed date of the placing of purchase order by any member of the Group, calculated by averaging the unit corn transaction prices (交割結算價) of all the corn transactions on the said latest trade matching day being published on the official website of Dalian Commodity Exchange (www.dce.com.cn); 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.

During the Year, the Group purchased corn kernels amounted to approximately HK$428.0 million from the Nongtou Subsidiaries Group under the New Master Supply Agreement. As the 2023 Master Supply Agreement only came into effect on 21 December 2023, no purchase had been made by the Group under the 2023 Master Supply Agreement during the Year.

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.

During the Year, there was no sale of Corn starch and Other Products by members of the Group to the Nongtou Subsidiaries Group under the New Master Sales Agreement.

(ii) ***Service agreement for debt restructuring plan***

On 28 December 2023, the Relevant Subsidiaries and Nongtou entered into the Debt Restructuring Service Agreement, pursuant to which the Relevant Subsidiaries appointed Nongtou, and Nongtou agreed to act, as the Relevant Subsidiaries' intermediary for liaising with Jilin SASAC and Jilin Cinda and Changchun Rudder, the relevant creditors of the Group, and to provide consultancy services for the overall timetabling and execution of the Group's debt restructuring plans in relation to the outstanding debts of approximately RMB4,267.8 million owed by the Relevant Subsidiaries to Jilin Cinda and the outstanding debts of approximately RMB815.0 million owed by the Relevant Subsidiaries to Changchun Rudder, for a fixed period of three years effective from 28 December 2023 and expiring on 27 December 2026.

Under the Debt Restructuring Service Agreement, the Relevant Subsidiaries shall pay an annual service fee in arrears to Nongtou before 31 December of the relevant year.

The annual service fee payable by the Relevant Subsidiaries to Nongtou under the Debt Restructuring Service Agreement will be RMB19,800,000 (approximately HK$21,780,000) for each of the three years ending 27 December 2026, respectively. Such annual service fee is determined with reference to the fee quotations obtained by the Group in the open market, in particular, the fee quotations from two independent service providers with state-owned shareholding structure and a professional assets restructuring advisory company in Jilin Province.

The annual cap in respect of the continuing connected transactions contemplated under the Debt Restructuring Service Agreement is set at RMB19,800,000 (approximately HK$21,780,000) for each of the three years ending 27 December 2026, being the annual service fees to be charged by Nongtou under the Debt Restructuring Service Agreement.

During the Year, approximately HK$21.8 million annual service fee have been charged by Nongtou under the Debt Restructuring Service Agreement.

As the Nongtou Subsidiaries are wholly-owned by Nongtou and Nongtou is a controlling Shareholder through its control in PRC LLP, which indirectly holds the entire issued share capital of Modern Agricultural. Nongtou and the Nongtou Subsidiaries are connected persons of the Company. Accordingly, the transactions contemplated under the New Master Supply Agreement, New Master Sales Agreement, 2023 Master Supply Agreement and Debt Restructuring Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that the terms of the continuing connected transactions set out above are on normal commercial terms or better and in the ordinary and usual course of business of the Group (for the New Master Supply Agreement, New Master Sales Agreement and the 2023 Master Supply Agreement), fair and reasonable, and in the interests of the Company and its Shareholders as a whole. Although the Debt Restructuring Service Agreement and the continuing connected transaction contemplated thereunder are not entered in the ordinary and usual course of business of the Group, given Nongtou could facilitate the materialization of the Group's debt restructuring plans with a lower annual service fee as compared to other independent service providers in Jilin Province and that the Group's financial position would improve significant if the debt restructuring plans can be successfully implemented, the independent non-executive Directors confirmed that the Debt Restructuring Service Agreement and the continuing connected transactions contemplated thereunder are in the interests of the Company and the 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.

Connected transactions

(i) ***Extension of maturity date of Convertible Bonds***

On 2 June 2023, the Company and Modern Agricultural, the controlling Shareholder interested in approximately 35.2% of the issued share capital of the Company, entered into the Second Supplemental Agreement for the proposed extension of the First Extended Maturity Date of the Convertible Bonds to 30 September 2025. The resolutions to approve, among others, the Second Extension were passed by way of poll at the EGM held on 3 August 2023 and the Second Extension took effect from that date. For the details of the Second Extension, please refer to the announcement of the Company dated 2 June 2023 and the circular of the Company dated 15 July 2023.

(ii) ***Subscription of CPS under a specific mandate***

On 30 November 2023, Jilin Yuanheng and Jilin Liheng, as CPS Subscribers, and the Company, as issuer, entered into the CPS Subscription Agreement pursuant to which (i) Jilin Yuanheng conditionally agreed to subscribe for the Yuanheng CPS that could be issued to Jilin Yuanheng by fully utilising the Jilin Yuanheng Subscription Monies (i.e. RMB250,000,000); and (ii) Jilin Liheng conditionally agreed to subscribe for the Liheng CPS that could be issued to Jilin Liheng by fully utilising the Jilin Liheng Subscription Monies (i.e. RMB1,330,000,000), at a CPS Subscription Price of HK$0.10 per Subscription CPS. Modern Agricultural Fund, one of the general partners of Jilin Liheng, is at the same time the general partner of PRC LLP, which in turn wholly owns Modern Agricultural, the controlling Shareholder. Jilin Liheng is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The CPS Subscription Completion took place on 4 January 2024 following the fulfillment of all the conditions precedent set out in the CPS Subscription Agreement. A total of 14,535,514,629 Liheng CPS and 2,732,235,940 Yuanheng CPS have been issued to Jilin Liheng and Jilin Yuanheng, representing approximately 55.53% and 10.44% of the issued share capital of the Company as enlarged only by the allotment and issue of CPS Conversion Shares immediately after the full conversion of the Subscription CPS, respectively.

Save for the above continuing connected transactions and connected transactions, the other related party transactions, including those entered into between the Group and the Nongtou Group, which are disclosed in note 37 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, there was sufficient prescribed public float of the issued Shares under the Listing Rules at any time during the Year and as at the date of this report.

FUNDRAISING ACTIVITIES

Other than the CPS Subscription as mentioned in the section headed "Management Discussion and Analysis – Important Transactions during the Year — Subscription of the CPS under a specific mandate" on page 21 to page 22 of this report, the Company did not conduct any fundraising activities during the Year.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

(1) Reference is made to the joint announcement of the Company and GSH dated 4 May 2020, in relation to, among others, the failure of Jinzhou Yuancheng, in satisfying certain financial covenants under the various loan agreements entered into between Jinzhou Yuancheng and Jinzhou CCB for the Yuancheng CCB Loans, such failure to perform or comply the financial covenants would entitle Jinzhou CCB to declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng CCB Loans immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group. The Yuancheng CCB Loans were jointly and severally guaranteed by the Company and certain subsidiaries of GSH with a maximum guaranteed principal amount of not more than RMB200.0 million.

As detailed in the joint announcements of the Company and GSH dated 14 January 2022 and 22 February 2022, Jinzhou CCB has applied to the Shenyang Intermediate Court, and the Shenyang Intermediate Court has granted various orders in favour of Jinzhou CCB for preservation of the bank balance (or assets of equivalent value) of certain members of the Group and the GSH Group in the aggregate amount of RMB213,882,635.55 in respect of the Yuancheng CCB Loans.

Reference is made to the announcement of GSH dated 4 January 2024, all of the rights (including security rights) and benefit of the Yuancheng CCB Loans have been transferred to Jilin Cinda in November 2023. On 28 December 2023, (i) Jilin Cinda, as creditor, (ii) Jinzhou Yuancheng, as debtor, and (iii) 上海好成食品發展有限公司 (Shanghai Haocheng Foods Development Co., Ltd.*), as guarantor, entered into the debt restructuring agreement (the "**GSH Debt Restructuring Agreement**"), pursuant to which the GSH Group has agreed to repay to Jilin Cinda RMB88.0 million within 30 days from the date of the GSH Debt Restructuring Agreement (i.e. on or before 26 January 2024) for the settlement of the Yuancheng CCB Loans and the remaining balance of the loan amount and interests under the Yuancheng CCB Loans will be waived. As at the date of this report, all repayment obligations of the New GSH Group under the GSH Debt Restructuring Agreement had been fulfilled.

Furthermore, upon the GSH Completion, the Group's interest in GSH had reduced from approximately 64.04% to 17.04%. Accordingly, the assets, liabilities and financial results of the New GSH Group (which includes Jinzhou Yuancheng) will no longer be consolidated into the consolidated financial statements of the Company.

(2) As disclosed in the joint announcement of the Company and GSH dated 25 February 2020, the Group has defaulted in, among others, the repayment of certain loans under the loan agreements entered into between an indirect wholly-owned subsidiary of the Company and 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 an indirect wholly-owned subsidiary of the Company and Jilin Branch CCB, Changchun CCB and Export-Import Bank with an aggregate outstanding principal amount of approximately RMB1.8 billion together with outstanding interest (the **"GBT Syndicated Loan"**).

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.

Reference is made to the joint announcement of the Company and GSH dated 23 December 2020 regarding the Group's default in repayment of loans under certain loan agreements entered into between certain subsidiaries of the Company with each of Nongan Branch ABC and Changchun CCB with an aggregate outstanding principal amounts of RMB920.0 million (excluding the loans owed by the GSH Group) together with outstanding interest (the "**GBT ABC Loan**") and RMB740.0 million together with outstanding interest (the "**GBT CCB Loan**"), respectively. The maximum liability guaranteed by the Company under the GBT ABC Loan is RMB1,660.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements and certain subsidiaries of the Company have also provided collaterals to secure such loan. The maximum guaranteed principal amount by the Company under the GBT CCB Loan is RMB1,000.0 million.

The GSH Group has also defaulted in the repayment of the fixed term loan under a loan agreement entered into between Dihao Foodstuff and Nongan Branch ABC with an outstanding principal amount of RMB180.0 million together with outstanding interest (the "**GSH ABC Loan**"). The maximum liability guaranteed by GSH is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under such loan agreement. Certain subsidiaries of GSH have also provided collaterals to secure such loan.

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

As further disclosed in the joint announcement of the Company and GSH dated 23 December 2020 and the announcement of the Company dated 24 July 2023, transfer agreements have also been entered into between Jilin Cinda and each of Jilin Branch ABC and Jilin Branch CCB. Jilin Branch ABC (acting on behalf of Nongan Branch ABC) and Jilin Branch CCB (also acting on behalf of Changchun CCB) have each agreed to sell to Jilin Cinda, and Jilin Cinda has agreed to purchase, all of the rights (including security rights) and benefits of the loans owed by, among others, the Group and the GSH Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and the aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") to Jilin Cinda at a consideration of approximately RMB414.7 million; and Jilin Branch CCB has transferred all of its rights (including security 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 Jilin Cinda at a consideration of approximately RMB583.6 million.

On 8 March 2022, as announced by the Company, Export-Import Bank has entered into transfer agreements with Jilin Cinda to transfer all rights (including security rights) and benefits of certain loans owed by the Group with an aggregate outstanding principal amount of approximately RMB1.2 billion together with outstanding interest (the "**Export-Import Bank Transferred Loans**") to Jilin Cinda. The ABC Transferred Loans include, among others, the GBT ABC Loan and the GSH ABC Loan. The CCB Transferred Loans include, among others, the GBT CCB Loan and the portion of the GBT Syndicated Loan owed to Jilin Branch CCB and Changchun CCB. The Export-Import Bank Transferred Loans included (i) the GBT Jilin Branch Export-Import Loan and (ii) a portion of the GBT Syndicated Loan owed to Jilin Branch Export-Import Bank.

On 31 December 2023, the Group was notified by Jilin Cinda and Nongtou that the Entire Transferred Loans, which included the Export-Import Bank Transferred Loans, the ABC Transferred Loans and the CCB Transferred Loans, have been transferred to Nongtou. Meanwhile, Nongtou, as the then creditor of the Entire Transferred Loans, and several wholly-owned subsidiaries of the Group, being the debtors or co-debtors of the Entire Transferred Loans, had entered into the Debt Restructuring Agreement (forming part of the Debt Restructuring Arrangements) pursuant to which the Group has agreed to repay to Nongtou RMB1,580.0 million by no later than 30 January 2024 for the settlement of the Entire Transferred Loans. On 4 January 2024, a total of RMB1,580.0 million (comprising the whole amount of the net proceeds from the CPS Subscription of approximately HK$1,716,775,057 and self-financing fund) were used for the settlement of the Entire Transferred Loans under the Debt Restructuring Agreement, and all repayment obligations of the Group under the Debt Restructuring Agreement have been fulfilled.

(3) As detailed in the joint announcement of the Company and GSH dated 25 August 2023, Jinzhou Yuancheng has defaulted in the repayment of the loans it owed to Tiebei BOJ pursuant to the loan agreements respectively dated 25 August 2020 and 27 December 2021 entered into between Jinzhou Yuancheng and Tiebei BOJ (the "**Tiebei BOJ Loans**"), which have become immediately due and payable. The Tiebei BOJ Loans are secured by mortgage of certain properties owned by Jinzhou Yuancheng, and also guaranteed by Dihao Foodstuff. As at the date of this report, the outstanding principal amount under the Tiebei BOJ Loans is RMB212.5 million.

Upon the GSH Completion, the Group's interest in GSH had reduced from approximately 64.04% to 17.04%. Accordingly, the assets, liabilities and financial results of the New GSH Group (which includes Jinzhou Yuancheng and therefore the Tiebei BOJ Loans) will no longer be consolidated into the consolidated financial statements of the Company.

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

Wang Cheng
Chairman

Hong Kong
28 March 2024

Independent Auditor's Report

Mazars CPA Limited
中審眾環(香港)會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.hk

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

OPINION

We have audited the consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 74 to 167, which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the "Going concern" section in note 2.2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As at 31 December 2023, the Group had net current liabilities and net liabilities of approximately HK$7,426.1 million and HK$4,036.9 million respectively. 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 and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors, having considered the measures being taken by the Group as disclosed in note 2.2 to the consolidated financial statements, are of the opinion that the Group would be able to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments that would result from a failure of achieving the measures. We consider appropriate disclosures have been made in this respect. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the Key Audit Matter
Gain on debt restructuring	
Refer to note 7 to the consolidated financial statements	
The Group has entered into several debt restructuring agreements with creditors in order to improve the Group's financial position. During the year ended 31 December 2023, the debt restructuring processes have been substantially completed and the Group has recognised a gain on debt restructuring of HK$4,284.8 million accordingly. We have identified the gain on debt restructuring as a key audit matter because of its significance to the consolidated financial statements.	Our key procedures, among others, included: – Obtaining the debt restructuring agreements and reviewing the terms therein to assess the appropriateness of accounting treatment made by the management; – Reviewing the arithmetical accuracy of the calculation of gain on debt restructuring; and – Obtaining the confirmations from the creditors to confirm the outstanding balances as at 31 December 2023.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Fair value of the convertible bonds *Refer to notes 2.5 and 29 to the consolidated financial statements* As disclosed in note 29 to the consolidated financial statements, the Group entered into a second supplementary agreement with the convertible bonds holder on 2 June 2023 to further extend the maturity date of the convertible bonds (the "**Convertible Bonds**") from 15 June 2023 to 30 September 2025 (the "**Second Extension**") which was approved by the Company's shareholders at the extraordinary general meeting of the Company held on 3 August 2023 (the "**Second Modification Date**"). Significant judgement and estimates from the management are involved in estimating the fair value of the convertible bonds, and are assessed by the management with reference to an independent valuation carried out by an external valuer. Key assumptions, such as risk-free rate and discount rate, were taken into account of the calculation of the fair value of the Convertible Bonds. As at the Second Modification Date, the equity and liability portions of the Convertible Bonds were HK$104.7 million and HK$694.3 million respectively. A gain on modification of the Convertible Bonds of HK$301.4 million has been recognised during the year ended 31 December 2023. We have identified the valuation of the fair value of the Convertible Bonds on the Second Modification Date as a key audit matter because of its significance to the consolidated financial statements and the fair value calculation, in particular the use of significant unobservable inputs, involved subjective judgements and assumptions.	Our key procedures, among others, included: – Analysing the second supplementary agreement to identify the key terms and conditions for the further extension of the maturity date of the Convertible Bonds; – Discussing with the management and the valuer to understand the valuation basis and methodology used and underlying assumptions applied; – Challenging the assumptions, methodologies and key inputs used in the calculation; – Evaluating the objectivity, capabilities and competence of the valuer; and – Checking arithmetical accuracy of the calculations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

28 March 2024

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000 (Re-presented)
CONTINUING OPERATIONS			
REVENUE	5	**1,373,938**	12,711
Cost of sales		**(1,330,301)**	(5,381)
Gross profit		**43,637**	7,330
Other income and gains	5	**26,173**	16,796
Selling and distribution costs		**(66,083)**	(9,197)
Administrative expenses		**(304,070)**	(258,308)
Other expenses		**(256,325)**	(496,389)
Gain on derecognition of a subsidiary	34	**421,870**	—
Gain on debt restructuring	7(c)	**4,284,830**	—
Gain on modification of convertible bonds	29	**301,364**	—
Finance costs	6	**(750,351)**	(685,178)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	7	**3,701,045**	(1,424,946)
Income tax credit	10	**42,082**	46,788
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**3,743,127**	(1,378,158)
DISCONTINUED OPERATIONS			
PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	35(a)	**481,466**	(141,407)
PROFIT (LOSS) FOR THE YEAR		**4,224,593**	(1,519,565)
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR			
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		**(373,435)**	433,334
Release of exchange reserve upon derecognition of a subsidiary	34	**(79,632)**	—
Release of exchange reserve upon disposal of subsidiaries	35(b)	**(326,685)**	—
		(779,752)	433,334
Items that will not be reclassified subsequently to profit or loss:			
Gain on properties revaluation, net		**78,985**	—
Income tax effect		**(15,797)**	—
		63,188	—
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(716,564)**	433,334
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**3,508,029**	(1,086,231)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	2023 *HK$'000*	2022 *HK$'000* (Re-presented)
PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		**4,224,593**	(1,443,068)
Non-controlling interests		**—**	(76,497)
		4,224,593	(1,519,565)
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY ARISING FROM:			
Continuing operations		**3,743,127**	(1,301,661)
Discontinued operations		**481,466**	(141,407)
		4,224,593	(1,443,068)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		**3,508,029**	(1,021,289)
Non-controlling interests		**—**	(64,942)
		3,508,029	(1,086,231)
EARNINGS (LOSS) PER SHARE, ARISING FROM			
Basic			
– Continuing operations	12	**HK42.0 cents**	HK(14.6) cents
– Discontinued operations	12	**HK5.4 cents**	HK(1.6) cents
		HK47.4 cents	HK(16.2) cents
Diluted			
– Continuing operations	12	**HK25.7 cents**	HK(14.6) cents
– Discontinued operations	12	**HK3.4 cents**	HK(1.6) cents
		HK29.1 cents	HK(16.2) cents

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,823,699**	4,706,470
Right-of-use assets	14	**396,473**	451,069
Deposits paid for acquisition of property, plant and equipment		**—**	835
Intangible assets	15	**2,047**	3,751
Interests in an associate	17	**—**	—
Interests in a joint venture	18	**—**	—
Equity investment at fair value through other comprehensive income ("**Designated FVOCI**")	19	**208**	208
Financial assets at fair value through profit or loss ("**FVPL**")	20	**17,140**	—
		4,239,567	5,162,333
CURRENT ASSETS			
Inventories	21	**148,332**	216,720
Trade receivables	22	**140,214**	59,845
Prepayments, deposits and other receivables	23	**363,196**	367,995
Due from a joint venture		**2,157**	1,055
Financial guarantee asset	41	**227,273**	—
Pledged bank deposits	24	**111**	173
Cash and bank balances	24	**88,246**	41,766
		969,529	687,554
CURRENT LIABILITIES			
Trade payables	25	**904,170**	1,201,524
Other payables and accruals	26	**3,571,683**	4,046,184
Due to an associate		**746**	840
Tax payables		**103,533**	104,553
Interest-bearing bank and other borrowings	27	**3,587,853**	7,113,550
Lease liabilities	28	**345**	1,902
Financial guarantee liability	41	**227,273**	—
Convertible bonds	29	**—**	1,037,451
		8,395,603	13,506,004
NET CURRENT LIABILITIES		**(7,426,074)**	(12,818,450)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,186,507)**	(7,656,117)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**10,582**	—
Lease liabilities	28	**—**	345
Deferred income	30	**31,327**	100,806
Deferred tax liabilities	31	**7,240**	29,788
Convertible bonds	29	**801,250**	—
		850,399	130,939
NET LIABILITIES		**(4,036,906)**	(7,787,056)

Consolidated Statement of Financial Position
At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CAPITAL AND RESERVES			
Share capital	32	**890,741**	890,741
Reserves		**(4,927,647)**	(8,429,734)
Deficit attributable to owners of the Company		**(4,036,906)**	(7,538,993)
Non-controlling interests		**–**	(248,063)
TOTAL DEFICIT		**(4,036,906)**	(7,787,056)

These consolidated financial statements on page 74 to page 167 were approved and authorised for issue by the board (the "**Board**") of directors (the "**Directors**") of the Company on 28 March 2024 and signed on its behalf by

Wang Cheng
Director

Wang Guicheng
Director

Consolidated Statement of Changes in Equity
Year ended 31 December 2023

	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 2023	890,741	2,849,298	745,826	972,056	15,677	113,808	2,077,505	(15,203,904)	(7,538,993)	(248,063)	(7,787,056)
Profit for the year	–	–	–	–	–	–	–	4,224,593	4,224,593	–	4,224,593
Other comprehensive income (loss) for the year											
– Gain on properties revaluation, net of deferred tax	–	–	63,188	–	–	–	–	–	63,188	–	63,188
– Exchange realignment	–	–	–	–	–	–	(373,435)	–	(373,435)	–	(373,435)
– Release of exchange reserve upon derecognition of a subsidiary (note 34)	–	–	–	–	–	–	(79,632)	–	(79,632)	–	(79,632)
– Release of exchange reserve upon disposal of subsidiaries (note 35)	–	–	–	–	–	–	(326,685)	–	(326,685)	–	(326,685)
	–	–	63,188	–	–	–	(779,752)	–	(716,564)	–	(716,564)
Total comprehensive income (loss) for the year	–	–	63,188	–	–	–	(779,752)	4,224,593	3,508,029	–	3,508,029
Transactions with owners of the Company											
Changes in ownership interests											
Release upon disposal of subsidiaries	–	–	–	–	(3,620)	–	–	3,620	–	137,467	137,467
Acquisition of additional interests in subsidiaries	–	–	–	–	(110,596)	–	–	–	(110,596)	110,596	–
	–	–	–	–	(114,216)	–	–	3,620	(110,596)	248,063	137,467
Reserve released upon disposal of subsidiaries	–	–	(130,184)	–	–	(44,400)	–	174,584	–	–	–
Transfer upon expiry of Convertible Bonds	–	–	–	(972,056)	–	–	–	972,056	–	–	–
Modification of Convertible Bonds (note 29)	–	–	–	104,654	–	–	–	–	104,654	–	104,654
Transfer	–	–	–	–	–	3,100	–	(3,100)	–	–	–
	–	–	(130,184)	(867,402)	–	(41,300)	–	1,143,540	104,654	–	104,654
At 31 December 2023	890,741	2,849,298*	678,830*	104,654*	(98,539)*	72,508*	1,297,753*	(9,832,151)*	(4,036,906)	–	(4,036,906)

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	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 2022	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)
Loss for the year	–	–	–	–	–	–	–	(1,443,068)	(1,443,068)	(76,497)	(1,519,565)
Other comprehensive income for the year											
– Exchange realignment	–	–	–	–	–	–	421,779	–	421,779	11,555	433,334
Total comprehensive income (loss) for the year	–	–	–	–	–	–	421,779	(1,443,068)	(1,021,289)	(64,942)	(1,086,231)
At 31 December 2022	890,741	2,849,298*	745,826*	972,056*	15,677*	113,808*	2,077,505*	(15,203,904)*	(7,538,993)	(248,063)	(7,787,056)

* These reserve accounts comprise the negative reserves of HK$4,927,647,000 (2022: HK$8,429,734,000) 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**"), an ex-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 placings 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 a loss of control.

Consolidated Statement of Cash Flows
Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) before tax from:			
Continuing operations		**3,701,045**	(1,424,946)
Discontinued operations		**477,099**	(148,838)
Profit (Loss) before tax including discontinued operations		**4,178,144**	(1,573,784)
Adjustments for:			
Finance costs		**792,793**	726,218
Bank interest income		**(37)**	(45)
Loss on disposal of property, plant and equipment, net		**650**	5,904
Gain on debt restructuring	7(c)	**(4,284,830)**	—
Amortisation of deferred income		**(5,054)**	(7,637)
Depreciation of property, plant and equipment	13	**283,020**	308,372
Depreciation of right-of-use assets	14	**22,151**	22,137
Gain on derecognition of a subsidiary	34	**(421,870)**	—
Gain on disposal of subsidiaries, net of tax	35(a)	**(621,286)**	—
Gain on properties revaluation, net	13	**(7,408)**	—
Gain on modification of convertible bonds	29	**(301,364)**	—
Impairment of property, plant and equipment	13	**21,276**	4,721
Impairment of deposits paid for acquisition of property, plant and equipment, net		**835**	5,421
(Reversal of impairment) Impairment of prepayments and deposits, net		**(395)**	2,142
Impairment of other receivables, net	38	**4,111**	10,400
Reversal of over provision of other tax payables		**(4,385)**	–
Reversal of impairment of trade receivables, net		**(208)**	(1,276)
Write-back of payables		**—**	(2,538)
Write-down (Reversal of write-down) of inventories, net		**1,507**	(1,996)
Changes in working capital:			
Inventories		**25,350**	(142,133)
Trade receivables		**(151,001)**	47,031
Prepayments, deposits and other receivables		**(133,934)**	(35,771)
Pledged deposits		**57**	328
Due from a joint venture		**(1,042)**	(1,217)
Trade payables		**21,553**	114,106
Other payables and accruals		**530,936**	431,647
Due to an associate		**(67)**	(85)
Cash used in operations		**(50,498)**	(88,055)
Interest received		**37**	45
Net cash used in operating activities		**(50,461)**	(88,010)

Consolidated Statement of Cash Flows
Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,446)**	(6,176)
Addition of land and buildings		**(41,330)**	—
Net cash outflow arising from derecognition of a subsidiary	34	**(120)**	—
Net cash inflow arising from disposal of subsidiaries	35(a)	**29,526**	—
Proceeds from disposal of property, plant and equipment		**—**	5,763
Net cash used in investing activities		**(14,370)**	(413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new bank and other borrowings		**480,964**	192,665
Repayment of bank and other borrowings		**(313,236)**	(68,945)
Repayment of lease liabilities		**(1,916)**	(1,915)
Interest paid		**(53,193)**	(12,055)
Net cash generated from financing activities	33	**112,619**	109,750
Net increase in cash and cash equivalents		**47,788**	21,327
Cash and cash equivalents at beginning of year		**41,766**	21,810
Effect of foreign exchange rate changes, net		**(1,308)**	(1,371)
Cash and cash equivalents at end of year	24	**88,246**	41,766

1. CORPORATE INFORMATION

Global Bio-chem Technology Group Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at 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 2023 (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 HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Companies Ordinance (Cap. 622) (the "**Companies Ordinance**").

These consolidated financial statements have been prepared under the historical cost convention, except for certain property, plant and equipment, financial assets at FVPL 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 2022 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.

2.2 GOING CONCERN

As at 31 December 2023, the Group had net current liabilities of approximately HK$7,426.1 million (31 December 2022: approximately HK$12,818.5 million) and net liabilities of approximately HK$4,036.9 million (31 December 2022: approximately HK$7,787.1 million). In preparing these consolidated financial statements, the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company, and the ability of the Group and the Company to attain profit and positive cash flows from operations and obtain additional funding in the immediate and longer term. The Company has taken the following steps to improve the financial position of the Group:

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

As disclosed in the joint announcements of the Company and GSH dated 23 December 2020 and 26 March 2021, and the announcements of the Company dated 8 March 2022 and 24 July 2023, as part of the Group's debt restructuring plan, four major lender banks of the Group had transferred the loans owed by the Group to 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**Jilin Cinda**") and 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"). As disclosed in the announcement of the Company dated 4 January 2024, the Group was notified by Jilin Cinda and 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.*) ("**Nongtou**", together with its subsidiaries, the "**Nongtou Group**") on 31 December 2023 that the loans with an aggregate outstanding principal of approximately Renminbi ("**RMB**") 4,267.8 million, together with outstanding interest, owed by the Group to Jilin Cinda (the "**Entire Transferred Loans**") had been transferred to Nongtou. On 31 December 2023, Nongtou, as the then creditor of the Entire Transferred Loans, and several subsidiaries of the Group, being the debtors and co-debtors of the Entire Transferred Loans, had entered into a debt restructuring agreement (the "**Debt Restructuring Agreement**") pursuant to which the Group has agreed to repay to Nongtou RMB1,580.0 million by no later than 30 January 2024 for the full settlement of the Entire Transferred Loans. In January 2024, a substantial part of the debt restructuring plan in relation to the Entire Transferred Loans took place. The Group has transferred a total of RMB1,580.0 million (comprising the entire net proceeds from the subscription (the "**CPS Subscription**") of the convertible preference shares (the "**CPS**") issued by the Company on 4 January 2024 of approximately HK$1,716,775,057 and self-financing fund) to Nongtou for the purpose of the settlement of the Entire Transferred Loans, and all repayment obligations of the Group under the Debt Restructuring Agreement have been fulfilled.

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

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

2.2 GOING CONCERN *(Continued)*

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

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

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

The Group has taken various measures to minimise the operating cost and develop new business line to enhance the operating cash flow during market turbulence. During the Year, the Group has continued to maximise the production capacity of the production facilities in amino acids operation and is expected to launch a series of high value-added products to expand the sales in 2024. The Directors expect that the amino acids operation will generate adequate cash inflow to the Group in 2024.

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

The Group has received an updated written confirmation dated 29 February 2024 from Nongtou 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 was not secured by any assets of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net asset value as at 31 December 2023 amounted to approximately RMB2,010.7 million (31 December 2022: approximately RMB2,105.5 million). It is tasked to consolidate the state-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou will be able to support the operations of the Group, provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group.

As at 31 December 2023, the Group's liabilities due to the Nongtou Group amounted to approximately HK$3,153.2 million and the Nongtou Group agreed to support the Group in the following 12 months and agreed that repayment request will not be made while the financial situation of the Group does not allow. In addition, the Directors are of the view that the Nongtou Group would be able to support the operations of the Group by providing a stable supply of corn with better commercial terms via the master supply agreement entered into between the Company (for itself and on behalf of its subsidiaries from time to time), as purchaser, and Nongtou (for itself and on behalf of itself and its subsidiaries from time to time), as seller, for supplying the corn kernels with effect from 21 December 2023.

2.2 GOING CONCERN *(Continued)*

(d) Completion of connected transaction in relation to the issue of CPS

Pursuant to the announcement of the Company dated 4 January 2024, all the conditions precedent set out in the CPS subscription agreement (the "**CPS Subscription Agreement**") dated 30 November 2023 entered into between the Company, 吉林省利亨股權投資合夥企業(有限合夥) (Jilin Province Liheng Equity Investment Partnership (Limited Partnership)*) ("**Jilin Liheng**"), a limited partnership established in the PRC and 吉林省元亨股權投資合夥企業(有限合夥) (Jilin Province Yuanheng Equity Investment Partnership (Limited Partnership)*) ("**Jilin Yuanheng**"), a limited partnership established in the PRC (collectively, the "**CPS Subscribers**") in relation to the issuance by the Company of, and the subscription by the CPS Subscribers for, the CPS, i.e. the CPS Subscription, have been fulfilled and the completion of the CPS Subscription has taken place on 4 January 2024. The Company has subsequently issued 14,535,514,629 CPS to Jilin Liheng and 2,732,235,940 CPS to Jilin Yuanheng pursuant to the terms of the CPS Subscription Agreement, receiving the net proceeds of approximately HK$1,716.8 million from the CPS Subscription, which had been used to repay Nongtou in relation to the Entire Transferred Loans which had been transferred from Jilin Cinda to Nongtou on 31 December 2023. As such, the financial position of the Group improved significantly.

The Directors have prepared a cash flow forecast covering a period up to 31 December 2024 on the basis that the measures mentioned above shall have a successful and favourable outcome, and are satisfied that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the 12 months from 31 December 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The adoption of the going concern basis may be inappropriate as the outcome of the measures as described above are uncertain.

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

2.3 CHANGES IN ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 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 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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

2.4 NEW AND REVISED HKFRSS NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current [1]
Amendments to HKAS 1	Non-current Liabilities with Covenants [1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements [1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback [1]
Amendments to HKAS 21	Lack of Exchangeability [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 The effective date to be determined

Except for the certain amendments to HKAS 1 and the amendments to HKFRS 10 and HKAS 28 which are explained below, the other new/revised HKFRSs are not expected to be relevant to the Group.

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

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

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

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

2.5 SUMMARY OF MATERIAL 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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

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

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 MATERIAL 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 MATERIAL ACCOUNTING POLICIES *(Continued)*

Discontinued operation

A discontinued operation is a component of the Group that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. It represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

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 MATERIAL 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.

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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 MATERIAL 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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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.

Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

Measurement of ECL (Continued)

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

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 MATERIAL 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 component 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 MATERIAL 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 MATERIAL 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 MATERIAL 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 MATERIAL 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

(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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

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

Timing of revenue recognition (Continued)

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 MATERIAL 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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

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 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.

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 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 will be used by the employer to reduce the existing level of contributions.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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 ESTIMATES AND JUDGMENTS

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

Judgments

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

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the operating results of the Group's operations and financing plans assessed using cash flows forecasts as detailed in note 2.2 to these consolidated financial statements. However, because not all future events or conditions can be predicted, this assumption is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Control over 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*) ("Harbin Dacheng")

The management determined that it has lost control over Harbin Dacheng, an indirect wholly-owned subsidiary of the Company, upon appointment of the joint and several receivers. All relevant facts and circumstances are detailed in note 34 to the consolidated financial statements. Accordingly, the net liabilities of Harbin Dacheng have been derecognised in the consolidated financial statements during the Year.

The management, after taking into account the legal opinion obtained, considered that the Group is not liable to the any liabilities recorded in the books of Harbin Dacheng immediately before the derecognition of Harbin Dacheng.

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 31 to the consolidated financial statements for more details of the unrecognised deferred tax liability for withholding taxes.

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

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:

Loss allowance for trade and other receivables

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumptions and inputs used in estimating ECL are set out in note 38 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, 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 2023, a deferred tax asset of approximately HK$405.6 million (2022: HK$404.1 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 HK$4,541.5 million (2022: HK$7,219.5 million) and the remaining deductible temporary difference of HK$2,763.8 million (2022: HK$2,833.5 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.

Fair value of convertible bonds

The convertible bonds have been valued based on a valuation technique as detailed in note 29 to the consolidated financial statements. The valuation requires the Group to determine the comparable companies and select the appropriate discount rate, effective interest rate, credit spread and risk free rate, etc which involved management's estimation and judgment.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four (2022: four) reportable operating segments from continuing operations 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.

On 21 December 2023, the disposal of the GSH Group, excluding Dihao Foodstuff and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) ("**Dihao Crystal Sugar**") (together with Dihao Foodstuff, the "**Dihao Companies**") (the "**New GSH Group**"), was completed, the corn sweeteners businesses which were operated by the New GSH Group was therefore classified as discontinued operations. The details of the disposal are summarised in note 35 to the consolidated financial statements. The corn sweeteners businesses operated by Dihao Companies are still grouped under corn sweeteners segment of the continuing operations of the Group.

The management, being 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 2023

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Continuing operations					
Revenue from:					
External customers	**217,221**	**1,156,717**	**–**	**–**	**1,373,938**
Segment results	**(314,902)**	**(107,115)**	**(50,040)**	**(15,255)**	**(487,312)**
Bank interest income					**3**
Unallocated income					**37,609**
Gain on debt restructuring					**4,284,830**
Gain on derecognition of a subsidiary					**421,870**
Gain on modification of convertible bonds					**301,364**
Corporate and other unallocated expenses					**(106,968)**
Finance costs					**(750,351)**
Profit before tax					**3,701,045**
Income tax credit					**42,082**
Profit for the year from continuing operations					**3,743,127**
Discontinued operations					
Profit for the year from discontinued operations					**481,466**
Profit for the year					**4,224,593**

4. OPERATING SEGMENT INFORMATION *(Continued)*

(i) Segment results *(Continued)*

Year ended 31 December 2022 (Re-presented)

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Continuing operations					
Revenue from:					
External customers	801	5,351	–	6,559	12,711
Segment results	(355,689)	(299,567)	(43,147)	(13,688)	(712,091)
Bank interest income					22
Unallocated income					29,553
Corporate and other unallocated expenses					(57,252)
Finance costs					(685,178)
Loss before tax					(1,424,946)
Income tax credit					46,788
Loss for the year from continuing operations					(1,378,158)
Discontinued operations					
Loss for the year from discontinued operations					(141,407)
Loss for the year					(1,519,565)

4. OPERATING SEGMENT INFORMATION *(Continued)*

(ii) Other segment information

Year ended 31 December 2023

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Continuing operations					
Capital expenditure	763	1,082	–	13	1,858
Depreciation of property, plant and equipment	102,994	98,407	14,884	8,869	225,154
Depreciation of right-of-use assets (a)	8,609	6,794	1,256	–	16,659
Write-down of inventories, net	–	–	–	1,511	1,511
Loss on disposal of property, plant and equipment, net	650	–	–	–	650
Impairment of deposits paid for acquisition of property, plant and equipment, net	835	–	–	–	835
(Reversal of impairment) Impairment of trade receivables, net	(779)	(461)	–	1,115	(125)
Reversal of impairment of prepayments and deposits, net	–	(982)	–	–	(982)
Impairment of (Reversal of impairment) of other receivables, net	2,640	1,564	(93)	–	4,111
Discontinued operations					
Capital expenditure	–	–	588	–	588
Depreciation of property, plant and equipment	–	–	57,866	–	57,866
Depreciation of right-of-use assets (a)	–	–	3,742	–	3,742
Reversal of impairment of trade receivables, net	–	–	(83)	–	(83)
Impairment of prepayments and deposits, net	–	–	587	–	587
Reversal of overprovision of other tax payables	–	–	(4,385)	–	(4,385)
Impairment of property, plant and equipment	–	–	21,276	–	21,276
Reversal of write-down of inventories, net	–	–	(4)	–	(4)

4. OPERATING SEGMENT INFORMATION *(Continued)*

(ii) Other segment information *(Continued)*

Year ended 31 December 2022 (Re-presented)

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Total *HK$'000*
Continuing operations					
Capital expenditure	688	5,339	–	13	6,040
Depreciation of property, plant and equipment	127,280	101,649	16,054	9,251	254,234
Depreciation of right-of-use assets (a)	10,063	5,736	–	671	16,470
Loss on disposal of property, plant and equipment, net	5,904	–	–	–	5,904
(Reversal of write-down) Write-down of inventories, net	(1,652)	(1,624)	–	1,280	(1,996)
Impairment of deposits paid for acquisition of property, plant and equipment, net	5,415	6	–	–	5,421
(Reversal of impairment) Impairment of trade receivables, net	(1,537)	(1,582)	–	1,397	(1,722)
Impairment of prepayments and deposits, net	2,142	–	–	–	2,142
Impairment of other receivables, net	9,559	220	403	–	10,182
Impairment of property, plant and equipment	–	4,315	406	–	4,721
Write-back of payables	(1,598)	(616)	–	(324)	(2,538)
Discontinued operations					
Capital expenditure	–	–	136	–	136
Depreciation of property, plant and equipment	–	–	54,138	–	54,138
Depreciation of right-of-use assets (a)	–	–	3,917	–	3,917
Impairment of trade receivables, net	–	–	446	–	446
Impairment other receivables, net	–	–	218	–	218

Remark:

(a) Depreciation of right-of-use assets that was not attributable to any of the above segments which amounted to HK$1,750,000 (2022: HK$1,750,000) was included in corporate and other unallocated expenses.

4. OPERATING SEGMENT INFORMATION *(Continued)*

(iii) Geographical information

Revenue information based on locations of customers

	2023 ***HK$'000***	2022 *HK$'000*
Continuing operations		
The PRC	**1,019,736**	12,711
Asia, the Americas and other regions	**354,202**	—
	1,373,938	12,711
Discontinued operations		
The PRC	**430,580**	346,575
Asia, the Americas and other regions	**10,233**	12,992
	440,813	359,567

Non-current assets (excluding financial instruments) information based on locations of assets

	2023 ***HK$'000***	2022 *HK$'000*
The PRC	**4,221,636**	5,159,792
Hong Kong	**583**	2,333
	4,222,219	5,162,125

(iv) Information about major customers

Revenue from customer individually accounted for 10% or more of the Group's total revenue (including discontinued operations) is as follows:

	2023 ***HK$'000***	2022 *HK$'000* (Re-presented)
Discontinued operations		
Corn sweeteners		
Customer A	*	66,495

* The customer individually contributed less than 10% of the Group's total revenue during the year ended 31 December 2023.

5. REVENUE, OTHER INCOME AND GAINS

	Note	2023 HK$'000	2022 HK$'000 (Re-presented)
Continuing operations			
Revenue from contracts with customers within HKFRS 15			
Sale of goods (a)		**1,373,938**	12,711
Other income and gains			
Amortisation of deferred income	30	**5,054**	7,451
Bank interest income		**3**	22
Government grants (b)		**—**	144
Gain on properties revaluation, net		**7,408**	—
Reversal of impairment of trade receivables, net		**125**	1,722
Reversal of write-down of inventories, net		**—**	559
Write-back of payables		**—**	2,538
Others		**13,583**	4,360
		26,173	16,796

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$102,520,000 (2022: HK$87,024,000).

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

6. FINANCE COSTS

	Note	2023 HK$'000	2022 HK$'000 (Re-presented)
Continuing operations			
Interest on bank and other borrowings		**462,182**	464,118
Interest on financial guarantees given by Nongtou	37(i)	**30,287**	20,349
Interest on payables to suppliers		**88,051**	102,104
Imputed interest on convertible bonds		**169,817**	98,596
Interest on lease liabilities		**14**	11
		750,351	685,178

7. PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	2023 HK$'000	2022 HK$'000 (Re-presented)
Employee benefits expenses (excluding Directors' remuneration):		
Wages and salaries	**99,022**	152,099
Pension scheme contributions	**14,772**	43,004
	113,794	195,103
Cost of inventories sold (a)	**1,330,301**	5,381
Depreciation of property, plant and equipment	**225,154**	254,234
Depreciation of right-of-use assets	**18,409**	18,220
Amortisation of deferred income	**(5,054)**	(7,451)
Auditor's remuneration		
— Annual audit	**1,450**	2,200
— Non-audit service fee	**1,253**	240
Impairment of property, plant and equipment	**—**	4,721
Impairment of deposits paid for acquisition of property, plant and equipment, net	**835**	5,421
(Reversal of impairment) Impairment of prepayments and deposits, net	**(982)**	2,142
Impairment of other receivables, net	**4,111**	10,182
Research and development costs	**6,407**	10,229
Reversal of impairment of trade receivables, net	**(125)**	(1,722)
Loss on disposal of property, plant and equipment, net	**650**	5,904
Foreign exchange loss, net	**8,223**	17,075
Write-down (Reversal of write-down) of inventories, net (b)	**1,511**	(1,996)
Gain on properties revaluation, net	**7,408**	—
Gain on debt restructuring (c)	**4,284,830**	—

Remarks:

(a) 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.

(b) Write-down of inventories comprised write-down of inventories included in other expenses and cost of sales of HK$1,511,000 and Nil, respectively, during the Year (2022: Reversal of write-down of inventories comprised reversal of write-down of inventories included in other income and cost of sales of HK$559,000 and HK$1,437,000, respectively.)

(c) Reference is made to the announcement of the Company dated 4 January 2024. On 31 December 2023, Nongtou, as the then creditor of the Entire Transferred Loans, and several wholly-owned subsidiaries of the Group, being the debtors or co-debtors of the Entire Transferred Loans, had entered into the Debt Restructuring Agreement pursuant to which the Group has agreed to repay, and repaid to Nongtou RMB1,580.0 million by no later than 30 January 2024 for the settlement of the Entire Transferred Loans. As a result, a one-off gain on debt restructuring of HK$4,284.8 million (representing the difference between the Entire Transferred Loans (including the then outstanding interests) of approximately RMB5,436.3 million immediately before the date of the Debt Restructuring Agreement and the amount settled to Nongtou of approximately RMB1,580.0 million) has been recognised during the Year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

	2023			
	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors				
Mr. Wang Cheng (appointed on 11 December 2023)	–	–	–	–
Mr. Wang Guicheng (appointed on 31 October 2022)	567	–	148	715
Mr. Yang Jian (appointed on 31 October 2022 and resigned on 11 December 2023)	–	–	–	–
Non-executive Directors				
Mr. Li Yuewen (appointed on 10 August 2023)	–	–	–	–
Mr. Gao Dongsheng (resigned on 10 August 2023)	–	–	–	–
	567	–	148	715
Independent non-executive Directors				
Mr. Tan Chao (appointed on 28 September 2023)	31	–	–	31
Ms. Jiang Fangfang (appointed on 10 August 2023)	47	–	–	47
Ms. Xie Liangqiu (appointed on 10 August 2023)	47	–	–	47
Ms. Dong Hongxia (resigned on 10 August 2023)	70	–	11	81
Mr. Ng Kwok Pong (resigned on 28 September 2023)	179	–	–	179
Mr. Yeung Kit Lam (resigned on 10 August 2023)	146	–	–	146
	520	–	11	531

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

	2022			
	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Pension scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors				
Mr. Wang Guicheng (appointed on 31 October 2022)	50	–	18	68
Mr. Yang Jian (appointed on 31 October 2022)	–	–	–	–
Mr. Zhang Zihua (resigned on 11 October 2022)	–	–	–	–
Mr. Liu Shuhang (resigned on 31 October 2022)	603	–	140	743
Non-executive Director				
Mr. Gao Dongsheng	–	–	–	–
	653	–	158	811
Independent non-executive Directors				
Ms. Dong Hongxia	119	–	19	138
Mr. Ng Kwok Pong	240	–	–	240
Mr. Yeung Kit Lam	240	–	–	240
	599	–	19	618

No performance related bonus was paid or payable by the Group to any of the Directors of the Company during the years ended 31 December 2023 and 2022. 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 2023 and 2022. None of the Directors and chief executive of the Company waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

9. FIVE HIGHEST PAID EMPLOYEES

One (2022: One) of the five highest paid employees during the Year is a Director, details of his remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2022: four) highest paid employees who are not directors of the Company are as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Salaries, allowance and benefits in kind	**3,885**	3,619
Pension scheme contributions	**72**	72
	3,957	3,691

The highest paid employees fell within the following bands:

	2023 ***Number of individuals***	2022 *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 2023 and 2022. 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 2023 and 2022. The highest paid non-Director employees did not waive any emoluments during the years ended 31 December 2023 and 2022.

10. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Year (2022: 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 2023 and 2022.

	2023 ***HK$'000***	2022 *HK$'000* (Re-presented)
Continuing operations		
Deferred tax		
Origination and reversal of temporary differences, net	**(42,082)**	(46,788)
Income tax credit	**(42,082)**	(46,788)

10. INCOME TAX CREDIT *(Continued)*

Reconciliation of income tax credit

	2023 *HK$'000*	2022 *HK$'000* (Re-presented)
Profit (Loss) before tax from continuing operations	**3,701,045**	(1,424,946)
Income tax at applicable tax rate	**827,817**	(329,983)
Non-deductible expenses	**12,294**	17,545
Tax-exempt income	**(50,725)**	—
Unrecognised temporary difference	**141,617**	16,366
Unrecognised tax losses	**34,707**	246,956
Utilisation of previously unrecognised tax losses	**(1,007,792)**	—
Recognition of previously unrecognised deferred taxes and reversal of deferred taxes	**—**	2,328
Income tax credit	**(42,082)**	(46,788)

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

11. DIVIDENDS

The Board does not recommend the payment of any dividend for the Year (2022: Nil).

12. EARNINGS (LOSS) PER SHARE

	2023	2022 (Re-presented)
Profit (Loss) (in HK$'000)		
Profit (Loss) attributable to owners of the Company from:		
— Continuing operations	**3,743,127**	(1,301,661)
— Discontinued operations	**481,466**	(141,407)
	4,224,593	(1,443,068)
Number of shares		
Weighted average of ordinary shares in issue	**8,907,405,717**	8,907,405,717
Basic earnings (loss) per share (HK cents per share)		
— Continuing operations	**42.0**	(14.6)
— Discontinued operations	**5.4**	(1.6)
	47.4	(16.2)

12. EARNINGS (LOSS) PER SHARE *(Continued)*

	Note	**2023**	2022 (Re-presented)
Profit (Loss) (in HK$'000)			
Profit (Loss) attributable to owners of the Company from:			
— Continuing operations		**3,743,127**	(1,301,661)
— Discontinued operations		**481,466**	(141,407)
		4,224,593	(1,443,068)
Continuing operations			
Gain on modification of convertible bonds	29	**(301,364)**	—
Imputed interest on convertible bonds		**169,817**	—
		(131,547)	—
Adjusted profit (loss) attributable to owners of the Company from:			
— Continuing operations		**3,611,580**	(1,301,661)
— Discontinued operations		**481,466**	(141,407)
		4,093,046	(1,443,068)
Number of shares			
Weighted average of ordinary shares in issue		**8,907,405,717**	8,907,405,717
Effect of conversion of convertible bonds		**5,172,759,833**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share		**14,080,165,550**	8,907,405,717
Diluted earnings (loss) per share (HK cents per share)			
— Continuing operations		**25.7**	(14.6)
— Discontinued operations		**3.4**	(1.6)
		29.1	(16.2)

The assumed conversion of the convertible bonds has a dilutive effect for the Year as shown on the table above.

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 2022.

13. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount — Year ended 31 December 2023	Notes	**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 2023		**3,926,744**	**355,608**	**7,362**	**416,756**	**4,706,470**
Additions		**–**	**1,241**	**46**	**1,159**	**2,446**
Disposals		**–**	**(650)**	**–**	**–**	**(650)**
Derecognition of a subsidiary	34	**(137,522)**	**(35,450)**	**(515)**	**(29,475)**	**(202,962)**
Disposal of subsidiaries	35(b)	**(240,093)**	**(70,867)**	**(304)**	**(1,061)**	**(312,325)**
Impairment		**–**	**(18,229)**	**–**	**(3,047)**	**(21,276)**
Gain on properties revaluation, net		**86,393**	**–**	**–**	**–**	**86,393**
Depreciation		**(208,674)**	**(72,372)**	**(1,974)**	**–**	**(283,020)**
Exchange realignment		**(108,152)**	**(5,382)**	**(763)**	**(37,080)**	**(151,377)**
At 31 December 2023		**3,318,696**	**153,899**	**3,852**	**347,252**	**3,823,699**

Reconciliation of carrying amount — Year ended 31 December 2022	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 2022	4,426,856	497,098	11,624	445,789	5,381,367
Additions	–	253	–	5,923	6,176
Disposals	–	(11,667)	–	–	(11,667)
Depreciation	(203,590)	(101,252)	(3,530)	–	(308,372)
Impairment	–	–	–	(4,721)	(4,721)
Exchange realignment	(296,522)	(28,824)	(732)	(30,235)	(356,313)
At 31 December 2022	3,926,744	355,608	7,362	416,756	4,706,470

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 2023					
At cost	**–**	**8,368,630**	**134,039**	**497,716**	**9,000,385**
At valuation	**3,527,370**	**–**	**–**	**–**	**3,527,370**
Accumulated depreciation and impairment losses	**(208,674)**	**(8,214,731)**	**(130,187)**	**(150,464)**	**(8,704,056)**
	3,318,696	**153,899**	**3,852**	**347,252**	**3,823,699**
At 31 December 2022					
At cost	–	9,420,628	166,398	587,047	10,174,073
At valuation	4,130,334	–	–	–	4,130,334
Accumulated depreciation and impairment losses	(203,590)	(9,065,020)	(159,036)	(170,291)	(9,597,937)
	3,926,744	355,608	7,362	416,756	4,706,470

Plant and machinery

The Directors have reviewed the carrying value of plant and machinery under corn refined segment which operation has been suspended since 2020 and determined that the recoverable amounts from the use or sale of certain of these assets have significantly declined below their carrying amounts. Accordingly, the carrying amounts of these assets have been reduced by HK$18,229,000 to reflect this impairment loss. The recoverable amounts of these assets amounted to HK$16,487,000 are determined by reference to the fair value less costs of disposal by reference to the market price of an active market.

The key assumptions used in estimating the fair value of the plant and machinery under market approach include prices recently paid for similar assets, adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative, adjustments to the market price of each asset to reflect the differences in age, condition and utility between the items under appraisal and the comparable. The valuation of plant and machinery was categorised as Level 3 fair value measurement.

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

Leasehold buildings

The leasehold buildings are situated on parcels of land of the Group in the PRC with remaining lease terms ranging from 8 to 49 years.

At 31 December 2023, the Group has not obtained building certificates for certain leasehold buildings with a total carrying amount of HK$1,183,967,000 (2022: HK$1,198,803,000).

Had the Group's leasehold buildings been carried under the cost model, their carrying amount at 31 December 2023 would have been approximately HK$3,029,451,000 (2022: HK$3,426,435,000).

The Group's leasehold buildings were revalued by an independent professional qualified valuer, based on their existing use at 31 May 2023. The Directors were of the opinion that there was no material difference between the carrying amount and fair value of the leasehold buildings at 31 December 2023 after considered the depreciation of leasehold buildings in relevant months. Therefore, the Directors adopt the carrying amount of approximately HK$3,318,696,000 as an open market value at 31 December 2023. A gain on properties revaluation of HK$78,985,000 (before income tax effect) was recognised in other comprehensive income and credited to properties revaluation reserve. Gain on properties revaluation of approximately HK$7,408,000 for continuing operations (Nil for discontinued operations) was recognised in profit or loss during the Year.

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 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 of the Company is held twice a year, to coincide with the reporting dates.

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

Leasehold buildings *(Continued)*

Fair value hierarchy

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

	Fair value measurement at 31 December 2023 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	**–**	**–**	**3,317,531**	**3,317,531**
Residential properties	**–**	**1,165**	**–**	**1,165**
	–	**1,165**	**3,317,531**	**3,318,696**

	Fair value measurement at 31 December 2022 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	–	–	3,904,471	3,904,471
Residential properties	–	1,250	21,023	22,273
	–	1,250	3,925,494	3,926,744

During the years ended 31 December 2023 and 2022, 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 2023 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:

	2023 *HK$'000*	2022 *HK$'000*
At 1 January	**3,925,494**	4,425,515
Gain on properties revaluation, net	**86,393**	—
Derecognition of a subsidiary	**(137,522)**	—
Disposal of subsidiaries	**(240,093)**	—
Depreciation	**(208,574)**	(203,497)
Exchange realignment	**(108,167)**	(296,524)
At 31 December	**3,317,531**	3,925,494

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 31 May 2023 that were categorised as Level 3 fair value measurements:

Valuation technique	**Significant unobservable inputs**	**Industrial properties**	**Residential properties**
DRC approach	Construction cost (RMB/square meter)	RMB540 — RMB4,300	RMB620 — RMB2,000

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

	Notes	Land HK$'000	Office premises HK$'000	Total HK$'000
Reconciliation of carrying amount — Year ended 31 December 2023				
At 1 January 2023		**448,736**	**2,333**	**451,069**
Addition		**41,330**	**—**	**41,330**
Depreciation		**(20,401)**	**(1,750)**	**(22,151)**
Derecognition of a subsidiary	34	**(13,265)**	**—**	**(13,265)**
Disposal of subsidiaries	35(b)	**(38,813)**	**—**	**(38,813)**
Exchange realignment		**(21,697)**	**—**	**(21,697)**
At 31 December 2023		**395,890**	**583**	**396,473**
Reconciliation of carrying amount — Year ended 31 December 2022				
At 1 January 2022		500,196	4,083	504,279
Depreciation		(20,387)	(1,750)	(22,137)
Exchange realignment		(31,073)	—	(31,073)
At 31 December 2022		448,736	2,333	451,069
At 31 December 2023				
Cost		**655,968**	**5,249**	**661,217**
Accumulated depreciation and impairment loss		**(260,078)**	**(4,666)**	**(264,744)**
		395,890	**583**	**396,473**
At 31 December 2022				
Cost		784,745	16,242	800,987
Accumulated depreciation and impairment loss		(336,009)	(13,909)	(349,918)
		448,736	2,333	451,069

The leasehold land is granted with remaining lease terms ranging from 8 to 49 years and is situated in the PRC.

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

Restrictions or covenants:

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

15. INTANGIBLE ASSETS

	Golf club membership HK$'000
Reconciliation of carrying amount —	
Years ended 31 December 2023 and 2022	
At 1 January 2022, 31 December 2022, 1 January 2023	**3,751**
Disposal of subsidiaries	**(1,704)**
At 31 December 2023	**2,047**
At 31 December 2023	
Cost	**2,047**
Accumulated impairment losses	**—**
	2,047
At 31 December 2022	
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 entity	Particulars of registered/ paid-up capital	Proportion of ownership interests held by the Group		Principal activities
				2023	2022	
GSH	Cayman Islands	Limited liability company	HK$152,758,600	**–** **(note 35)**	64	Investment holding
Dihao Foodstuff#	The PRC	Limited liability company	Registered capital: RMB725,100,000/ Paid-up capital: RMB307,574,472	**100**	64	Manufacture and sale of corn sweeteners
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.# (“**Jinzhou Yuancheng**”)	The PRC	Limited liability company	US$62,504,000	**–** **(note 35)**	64	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd.#	The PRC	Limited liability company	US$7,770,000	**–** **(note 35)**	64	Manufacture and sale of corn sweeteners
Shanghai Haocheng Food Development Co., Ltd.#	The PRC	Limited liability company	US$9,668,000	**–** **(note 35)**	64	Manufacture and sale of corn sweeteners
Harbin Dacheng#	The PRC	Limited liability company	RMB303,000,000	**–** **(note 34)**	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**	100	Investment holding
Changchun Baocheng Bio-chem Development Co., Ltd.#	The PRC	Limited liability company	US$49,227,952	**100**	100	Manufacture and sale of corn based biochemical products
Changchun Dahe#	The PRC	Limited liability company	Registered capital: RMB168,450,000/ Paid-up capital: RMB140,409,000	**100**	100	Manufacture and sale of corn based biochemical products
Dacheng Bio-Tech#	The PRC	Limited liability company	RMB2,066,150,000	**100**	100	Manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products
Changchun Dacheng Industrial Group Huicheng International Trade Co., Ltd.#	The PRC	Limited liability company	RMB20,000,000	**100**	100	Sale of corn based biochemical products

\# Wholly foreign-owned enterprise

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, 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, result in particulars of excessive length.

None of the subsidiaries issue debt securities.

16. SUBSIDIARIES *(Continued)*

There are no non-wholly owned subsidiaries that have material non-controlling interests ("**NCI**") as at 31 December 2023. The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI as at 31 December 2022. The summarised financial information represents amounts before inter-company eliminations.

	The GSH Group
	2022 *HK$'000*
Percentage of equity interest held by NCI	36%
Revenue, other income and gains	375,870
Costs and expenses	(595,792)
Income tax credit	7,431
Loss for the year	(212,491)
Other comprehensive income	32,099
Total comprehensive loss for the year	(180,392)
NCI within the GSH Group	(451)
Total Comprehensive loss attributable to owners of the GSH Group	(180,843)
Loss for the year attributable to NCI	(76,497)
Total comprehensive loss for the year attributable to NCI	(64,652)
Dividends paid to NCI	—
Current assets	122,245
Non-current assets	564,862
Current liabilities	(1,329,029)
Non-current liabilities	(39,045)
Net liabilities	(680,967)
NCI within the GSH Group	(5,931)
Net liabilities attributable to owners of the GSH Group	(675,036)
Carrying amount of NCI	(248,944)
Net cash flows generated from (used in):	
Operating activities	13,275
Investing activities	19,635
Financing activities	(36,130)

17. INTERESTS IN AN ASSOCIATE

Interests in the associate represents 40% (2022: 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$55,000 (2022: HK$65,000) and HK$9,881,000 (2022: HK$9,826,000) respectively.

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

	2023 ***HK$'000***	2022 *HK$'000*
Gross amounts:		
Current assets	**7,180**	7,346
Non-current assets	**53,876**	55,100
Current liabilities	**(80,498)**	(82,269)
Net liabilities	**(19,442)**	(19,823)

	2023 ***HK$'000***	2022 *HK$'000*
Gross amounts:		
Revenue	**—**	—
Loss and total comprehensive loss	**(139)**	(161)

18. INTERESTS IN A JOINT VENTURE

	2023 ***HK$'000***	2022 *HK$'000*
Goodwill	**12,115**	12,115
Share of net liabilities	**(9,992)**	(9,992)
Unrealised portion of the gain on disposal of a parcel of land	**(2,123)**	(2,123)
	—	—

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:

	2023 HK$'000	2022 HK$'000
Gross amounts:		
Current assets	**3,570**	3,683
Non-current assets	**34,333**	35,503
Current liabilities	**(85,590)**	(77,187)
Net liabilities	**(47,687)**	(38,001)
Included in above:		
Cash and cash equivalents	**279**	279
Financial liabilities (excluding trade and other payables and provisions)	**(49,413)**	(49,370)
Reconciliation:		
Gross amount of equity	**(47,687)**	(38,001)
Group's ownership interests	**43.5%**	43.5%
Group's share of net liabilities (limited to investment cost)	**(9,992)**	(9,992)
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	**–**	–
Gross amounts:		
Revenue	**187**	787
Loss and total comprehensive loss	**(10,348)**	(9,497)
Included in above:		
Depreciation and amortisation	**(3,781)**	(3,023)
Interest expense	**(3,989)**	(4,465)
Group's share of loss of a joint venture (a)	**–**	–

Remark:

(a) The Group has discontinued the recognition of its share of losses of Wanxiang when applying the equity method because the share of losses of Wanxiang exceeded the Group's interests in Wanxiang and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of Wanxiang for the Year and cumulatively were HK$4,501,000 (2022: HK$4,131,000) and HK$11,871,000 (2022: HK$7,370,000) respectively.

19. DESIGNATED FVOCI

	2023	2022
	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. FINANCIAL ASSETS AT FVPL

	2023	2022
	HK$'000	*HK$'000*
Listed equity investment, at fair value (a)	**17,140**	—

Remark:

(a) The listed equity investment represents ordinary shares of GSH listed on the Stock Exchange. At 31 December 2023, the fair value of the listed equity investment is based on the bid price quoted in the Stock Exchange at the end of the reporting period.

21. INVENTORIES

	2023	2022
	HK$'000	*HK$'000*
Raw materials	**91,439**	205,806
Finished goods	**56,893**	10,914
	148,332	216,720

22. TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**480,900**	477,422
Loss allowance	**(340,686)**	(417,577)
	140,214	59,845

The Group normally allows credit terms of 30 to 90 days (2022: 30 to 90 days) to established customers. An ageing analysis of the trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2023 HK$'000	2022 HK$'000
Within 1 month	**97,765**	38,455
1 to 2 months	**22,097**	11,647
2 to 3 months	**13,822**	3,585
3 to 6 months	**578**	2,703
Over 6 months	**5,952**	3,455
	140,214	59,845

Information about the Group's exposure to credit risk and allowance for trade receivables is included in note 38 to the consolidated financial statements.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments	**65,145**	95,707
Deposits and other debtors	**44,480**	53,885
PRC value-added tax ("**VAT**") and other tax receivables	**123,770**	84,177
Receivables from disposal of assets (a)	**129,801**	134,226
	363,196	367,995

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 HK$109,890,000 (31 December 2022: HK$113,636,000) at 31 December 2023.

24. CASH AND CASH EQUIVALENTS

	2023 HK$'000	2022 HK$'000
Cash and bank balances	**88,246**	41,766
Pledged bank deposits	**111**	173
	88,357	41,939
Less: pledged bank deposits for issuance of bills payables	**(111)**	(173)
	88,246	41,766

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$75,945,000 (2022: HK$34,617,000 denominated in Renminbi). 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.

25. TRADE PAYABLES

	Note	2023 HK$'000	2022 HK$'000
Trade payables			
— To third parties		**636,924**	925,167
— To the Nongtou Group (a)	37(ii)	**267,246**	276,357
		904,170	1,201,524

Remark:

(a) The trade payables to the Nongtou Group are unsecured and interest-bearing at 6.5% to 7.8% per annum (2022: 6.5% to 8.5% per annum) after the lapse of the credit periods.

The Group normally obtains credit terms ranging from 30 to 90 days (2022: 30 to 90 days) from its suppliers.

25. TRADE PAYABLES *(Continued)*

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**76,963**	166,091
1 to 2 months	**4,091**	2,761
2 to 3 months	**239**	106
Over 3 months	**822,877**	1,032,566
	904,170	1,201,524

26. OTHER PAYABLES AND ACCRUALS

	2023	2022
	HK$'000	*HK$'000*
Accruals for employee benefits	**678,644**	717,310
Payables for purchases of machinery	**104,020**	114,791
Receipts in advance (a)	**156,061**	119,132
Payables to the Nongtou Group (b)	**1,049,508**	757,032
VAT and other duties payables	**135,289**	226,862
Accruals and other creditors	**466,082**	735,314
Interest payables	**982,079**	1,375,743
	3,571,683	4,046,184

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:

	2023	2022
	HK$'000	*HK$'000*
At 1 January	**119,132**	92,211
Recognised as revenue	**(102,520)**	(87,024)
Receipt of advances or recognition of receivables	**156,061**	119,132
Exchange realignment	**(16,612)**	(5,187)
At 31 December	**156,061**	119,132

Unsatisfied or partially unsatisfied performance obligations

All the performance obligations that were unsatisfied (or partially unsatisfied) at 31 December 2023 and 2022 were parts of contracts that have an original expected duration of one year or less. Given that the Group applies the practical expedient in paragraph 121(a) of HKFRS 15, the transaction price allocated to these performance obligations is not disclosed.

26. OTHER PAYABLES AND ACCRUALS *(Continued)*

Remarks: *(Continued)*

(b) The payables represent advances from the subsidiaries of Nongtou which are unsecured, interest-bearing at 6.5% and 12.0% per annum (2022: 6.5% to 12.0% per annum) and are repayable on demand and guarantee charge payables to Nongtou which bear interest at 3.5% per annum (2022: 3.5% per annum).

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate %	**Maturity**	***HK$'000***	Effective interest rate %	Maturity	*HK$'000*
Current						
Short term bank borrowings – secured	**–**	**–**	**–**	5.9%-12.0%	On demand/ 2023	298,295
Short term bank borrowings – unsecured	**5.0%-6.5%**	**On demand/ 2024**	**855,820**	5.0%-10.0%	On demand/ 2023	935,735
Other borrowings – secured (a)	**5.7%-10.0%**	**On demand**	**2,054,945**	5.9%-10.0%	On demand	4,344,122
Other borrowings – unsecured (a)	**5.7%-7.8%**	**On demand**	**677,088**	5.7%-13.6%	On demand	1,535,398
			3,587,853			7,113,550
Non-current						
Bank borrowings – unsecured	**6.0%**	**2025**	**10,582**	–	–	–
			3,598,435			7,113,550

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

Analysed into:	**2023** **HK$'000**	2022 HK$'000
Bank borrowings repayable:		
Within one year or on demand	**855,820**	1,234,030
In the second year	**10,582**	—
	866,402	1,234,030
Other borrowings repayable:		
Within one year or on demand	**2,732,033**	5,879,520
	3,598,435	7,113,550
Secured	**2,054,945**	4,642,417
Unsecured	**1,543,490**	2,471,133
	3,598,435	7,113,550

Remark:

(a) As at 31 December 2023, the balance included the other borrowings from the subsidiaries of Nongtou amounted to HK$677.1 million (2022: Nil) and HK$1,159.3 million (2022: HK$103.6 million) respectively which included secured and unsecured, interest-bearing at 5.7% to 7.8% (2022: Nil) and 5.9% to 6.6% (2022: 8.0% to 13.6%) per annum and were repayable on demand.

	2023 **HK$'000**	2022 HK$'000
Additional information		
Collaterals pledged for security:		
Property, plant and equipment	**1,420,217**	1,480,503
Receivables from disposal of assets	**109,890**	113,636
Right-of-use-assets	**83,532**	124,208
Corporate guarantee by:		
The Company	**2,622,348**	5,889,960
Certain subsidiaries	**283,839**	333,594
Nongtou	**636,039**	340,909
A subsidiary and independent third parties (joint guarantee)	**—**	1,488,634
Denominated in Renminbi	**3,598,435**	7,113,550

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

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

Further details of the Group's management of liquidity risk are set out in note 38 to the consolidated financial statements. At 31 December 2023, the Group has defaulted in the repayment of certain bank and other borrowings of aggregate outstanding principal amount of approximately HK$2,177.1 million (2022: HK$5,012.1 million), which had been included in the breach of covenant, such breach and default in repayment may also trigger cross default provisions in other loan agreements. Up to the date of approval of these consolidated financial statements, a substantial part of approximately HK$1,736,000,000 of such bank and other borrowings have been settled.

28. LEASE LIABILITIES

	2023 *HK$'000*	2022 *HK$'000*
Current portion	**345**	1,902
Non-current portion	**—**	345
	345	2,247

29. CONVERTIBLE BONDS

The convertible bonds in an aggregate principal amount of HK$1,086,279,565 (the "**Convertible Bonds**") were issued to and subscribed by Modern Agricultural Industry Investment Limited ("**Modern Agricultural**"), a major shareholder of the Company in October 2015 with the maturity date on 15 October 2020. Modern Agricultural, which is indirectly wholly-owned by a controlling Shareholder, Nongtou, which owns 60% of the investment capital of 吉林省現代農業產業投資基金（有限合夥）(Jilin Province Modern Agricultural Industry Investment Fund (LLP)*).

On 25 September 2020, the Company and Modern Agricultural entered into a supplemental agreement to extend the maturity date of the Convertible Bonds by 32 months from 15 October 2020 to 15 June 2023 (the "**First Extension**"), which was approved at an extraordinary general meeting held on 30 November 2020 (the "**First Modification Date**").

On 2 June 2023, the Company and Modern Agricultural entered into a second supplemental agreement for the proposed further extension of the maturity date of the Convertible Bonds from 15 June 2023 to 30 September 2025 (the "**Second Extension**"). The resolutions to approve the Second Extension were passed by way of poll at the extraordinary general meeting of the Company held on 3 August 2023 (the "**Second Modification Date**") and the Second Extension took effect from that date. Save for the Second Extension, all other terms and conditions of the Convertible Bonds remain unchanged.

As at 31 December 2023, 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 per share upon full conversion.

29. CONVERTIBLE BONDS *(Continued)*

The Convertible Bonds carry coupon interest at the rate of 0.01% per annum. Modern Agricultural 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 of the Company at any time after the Second Modification Date until the date seven days before (and excluding) 30 September 2025, 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 23.1% per annum under the Second Extension.

The fair value of the Convertible Bonds at the date of Second Extension Date was valued by an independent valuer. The fair value of the liability component of the Convertible Bonds by discounting the contractual cash flows over the remaining contractual term of the Convertible Bond at the interest rates that were appropriate to the riskiness of the Convertible Bonds.

In estimating the fair value of the conversion component of the Convertible Bonds, the following valuation technique and the key inputs to the valuation have been used:

Valuation technique	**Significant unobservable inputs**	
Binomial model	Risk free rate	4.685%
	Volatility	83.780%
	Discount rate	23.059%

29. CONVERTIBLE BONDS *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Equity component		
First Extension:		
Fair value of the Convertible Bonds at the First Modification Date	**1,814,470**	1,814,470
Fair value of the liability component at the First Modification Date	**(842,414)**	(842,414)
	972,056	972,056
Second Extension:		
Fair value of the Convertible Bonds at the Second Modification Date	**798,991**	
Fair value of the liability component at the Second Modification Date	**(694,337)**	
	104,654	
Liability component		
First Extension:		
At 1 January	**1,037,451**	938,855
Imputed interest	**62,904**	98,596
At the Second Modification Date/31 December 2022	**1,100,355**	1,037,451
Second Extended Maturity:		
Fair value at the Second Modification Date	**694,337**	
Imputed interest	**106,913**	
At 31 December 2023	**801,250**	
Gain on modification of Convertible Bonds		
Fair value of the Convertible Bonds at the Second Modification Date	**798,991**	
Less: Carrying amount of the liability component at the Second Modification Date	**(1,100,355)**	
	(301,364)	

30. DEFERRED INCOME

	Notes	2023 HK$'000	2022 HK$'000
At 1 January		**100,806**	115,232
Addition		**—**	914
Derecognition of a subsidiary	34	**(59,499)**	—
Disposal of subsidiaries	35(b)	**(352)**	—
Amortisation		**(5,054)**	(7,637)
Exchange realignment		**(4,574)**	(7,703)
At 31 December		**31,327**	100,806

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

31. DEFERRED TAX

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

	2023 HK$'000	2022 HK$'000
At 1 January	**29,788**	91,522
Credited to profit or loss		
— Continuing operations	**(42,082)**	(46,788)
— Discontinued operations	**(4,367)**	(7,431)
Debited to other comprehensive income	**15,797**	—
Exchange realignment	**8,104**	(7,515)
At 31 December	**7,240**	29,788

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Depreciation allowances	**260,751**	252,907	**9,165**	13,299
Revaluation of properties	**—**	—	**258,248**	259,583
Deferred income arising from resumption of the Dihao Properties	**—**	—	**105,574**	109,174
Tax losses	**131,292**	124,359	**—**	—
Others	**13,567**	26,821	**39,863**	51,819
	405,610	404,087	**412,850**	433,875
Offsetting	**(405,610)**	(404,087)	**(405,610)**	(404,087)
Deferred tax liabilities, net	**—**	—	**7,240**	29,788

31. DEFERRED TAX *(Continued)*

Unrecognised deferred tax assets arising from:

	2023	2022
	HK$'000	*HK$'000*
Deductible temporary differences	**2,763,838**	2,833,488
Tax losses	**4,541,478**	7,219,529
	7,305,316	10,053,017

Deductible temporary differences of approximately HK$2,763.8 million (2022: HK$2,833.5 million) and tax losses arising in Hong Kong of approximately HK$405.8 million (2022: HK$453.6 million) have no expiry date under current tax legislations. Tax losses arising in the PRC of approximately HK$4,135.6 million (2022: HK$6,765.9 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 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$485.0 million at 31 December 2023 (2022: HK$537.6 million). The Directors consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

32. SHARE CAPITAL

	2023	2022
	HK$'000	*HK$'000*
Authorised:		
30,000,000,000 (a) (2022: 20,000,000,000) ordinary shares of HK$0.1 each	**3,000,000**	2,000,000
30,000,000,000 (a) (2022: Nil) preference shares of HK$0.1 each	**3,000,000**	–
Issued and fully paid:		
8,907,405,717 (2022: 8,907,405,717) ordinary shares of HK$0.1 each	**890,741**	890,741

Remark:

(a) The Directors proposed to increase the authorised share capital of the Company from HK$2,000,000,000 divided into 20,000,000,000 ordinary shares to HK$6,000,000,000 divided into 30,000,000,000 ordinary shares of the Company and 30,000,000,000 preference shares of the Company and such proposed amendment have been approved by the shareholders of the Company at the extraordinary general meeting (the "**EGM**") held on 31 December 2023 and became effective upon passing of such ordinary resolution.

33. 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 2023				
At 1 January 2023	7,113,550	1,037,451	2,247	8,153,248
Changes from financing cash flows:				
Proceeds from new interest-bearing bank and other borrowings	480,964	–	–	480,964
Repayment of interest-bearing bank and other borrowings	(313,236)	–	–	(313,236)
Repayment of lease liabilities	–	–	(1,916)	(1,916)
Interest paid	(53,193)	–	–	(53,193)
Total changes from financing cash flows	114,535	–	(1,916)	112,619
Exchange realignment	(201,694)	–	–	(201,694)
Other changes:				
Interest expenses	53,193	169,817	14	223,024
Derecognition of a subsidiary	(53,763)	–	–	(53,763)
Disposal of subsidiaries	(440,910)	–	–	(440,910)
Gain on debt restructuring	(2,986,476)	–	–	(2,986,476)
Modification of Convertible Bonds	–	(406,018)	–	(406,018)
At 31 December 2023	3,598,435	801,250	345	4,400,030

33. 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 2022				
At 1 January 2022	7,501,280	938,855	4,138	8,444,273
Changes from financing cash flows:				
Proceeds from new interest-bearing bank and other borrowings	192,665	—	—	192,665
Repayment of interest-bearing bank and other borrowings	(68,945)	—	—	(68,945)
Repayment of lease liabilities	—	—	(1,915)	(1,915)
Interest paid	(12,055)	—	—	(12,055)
Total changes from financing cash flows	111,665	—	(1,915)	109,750
Exchange realignment	(511,450)	—	—	(511,450)
Other changes:				
Interest expenses	12,055	98,596	24	110,675
At 31 December 2022	7,113,550	1,037,451	2,247	8,153,248

34. DERECOGNITION OF A SUBSIDIARY

In April 2023, Harbin Dacheng prior to the date of its derecognition, received a notice from 賓縣人民法院 (People's Court of Bin County*) (the "**Court**") notifying Harbin Dacheng that one of its creditors had applied to the Court to wind up Harbin Dacheng on the ground that Harbin Dacheng was insolvent.

On 12 June 2023 (the "**Receivership Date**"), the Court accepted the application and appointed joint and several receivers to take over Harbin Dacheng's property, company's seal, account books, documents and other data. In this regard, the management considered that the Group no longer has control of whatsoever nature over the affairs of Harbin Dacheng since the Receivership Date in accordance with HKFRS 10. Based on the above, Harbin Dacheng ceased to be a subsidiary of the Company since the Receivership Date.

The Group derecognised the assets and liabilities of Harbin Dacheng on the Receivership Date as below:

	HK$'000
Property, plant and equipment	202,962
Right-of-use assets	13,265
Inventories	913
Prepayments, deposits and other receivables	17,596
Cash and bank balances	120
Trade payables	(144,115)
Other payables and accruals	(319,717)
Deferred income	(59,499)
Interest-bearing bank and other borrowings	(53,763)
Total identifiable net liabilities	(342,238)
Release of exchange reserve upon derecognition of a subsidiary	(79,632)
Gain on derecognition of a subsidiary	421,870
	–

An analysis of net outflow of cash and cash equivalents in respect of derecognition of Harbin Dacheng is as follows:

	HK$'000
Cash and cash equivalents derecognised	(120)
Net outflow of cash and cash equivalents in respect of derecognition of a subsidiary	(120)

35. DISCONTINUED OPERATIONS

On 6 April 2023, Global Corn Bio-Chem Technology Company Limited ("**Global Corn Bio-Chem**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**GSH SPA**") with Mr. Kong Zhanpeng and Mr. Wang Tieguang (the "**Purchasers**") pursuant to which the Purchasers have conditionally agreed to acquire and Global Corn Bio-Chem has conditionally agreed to sell 717,965,000 ordinary shares of GSH, representing approximately 47.00% of the entire issued share capital of GSH (the "**GSH Sale Shares**") as at the date of the GSH SPA at a total consideration of HK$43,077,900, subject to certain conditions precedent (the "**GSH Disposal**").

As part of conditions precedent to the GSH SPA, on 6 April 2023, Global Bio-chem Technology (HK) Ltd., a direct wholly-owned subsidiary of the Company (the "**Dihao Purchaser**") entered into sale and purchase agreements with (i) Global Sweeteners (China) Limited (the "**Dihao Vendor A**") and Global Starch (Changchun) Investments Limited; and (ii) Dihao Vendor A and Global Sorbitol (H.K.) Company Limited respectively, to transfer the entire registered capital of each of Dihao Foodstuff and Dihao Crystal Sugar, at a total consideration of RMB2.0 (the "**Dihao Transfer**"). Immediately upon the completion of the Dihao Transfer (the "**Dihao Completion**"), Dihao Companies are no longer the subsidiaries of GSH but remain as subsidiaries of the Company.

For details of the GSH Disposal and the Dihao Transfer, please refer to the joint announcement issued by the Company, GSH and the Purchasers dated 6 April 2023 and the circular of the Company dated 25 May 2023.

References are also made to the joint announcement of the Company, GSH and the Purchasers dated 21 December 2023. On 21 December 2023, all of the conditions precedent to the GSH SPA (including but not limited to the completion of Dihao Transfer) have been fulfilled or waived (as the case may be). The completion of the GSH Disposal (the "**GSH Completion**") and the Dihao Completion took place on 21 December 2023.

Immediately after the GSH Completion, Global Corn Bio-Chem holds 259,813,000 ordinary shares of GSH, representing approximately 17.00% of the entire issued share capital of GSH and the New GSH Group ceased to be subsidiaries of the Company and the such remaining investment in the New GSH Group has been recognised as financial assets at fair value through profit or loss.

35. DISCONTINUED OPERATIONS *(Continued)*

The management considers that the New GSH Group, which are previously included under the corn sweeteners segment, constituted discontinued operations during the Year. Accordingly, certain comparative figures in the consolidated financial statements have been re-presented to separately reflect the results of the discontinued operations. The results and net cash flows of the discontinued operations are summarised as follows:

(a) Financial performance and cash flow information

	Note	**For the period from 1 January 2023 to 21 December 2023** ***HK$'000***	For the year ended 31 December 2022 *HK$'000*
Revenue		**440,813**	359,567
Cost of sales		**(404,195)**	(332,300)
Gross profit		**36,618**	27,267
Other income and gains		**11,476**	14,078
Selling and distribution costs		**(29,282)**	(30,453)
Administrative expenses		**(62,427)**	(69,899)
Other expenses		**(58,130)**	(48,791)
Finance costs		**(42,442)**	(41,040)
Loss before tax		**(144,187)**	(148,838)
Income tax credit		**4,367**	7,431
Loss for the year from discontinued operations		**(139,820)**	(141,407)
Gain on disposal of subsidiaries, net of tax	35(b)	**621,286**	—
Profit (Loss) from discontinued operations		**481,466**	(141,407)
Net cash generated from operating activities		**88,390**	13,275
Net cash (used in) generated from investing activities		**(589)**	19,635
Net cash used in financing activities		**(78,296)**	(36,130)
Net increase/(decrease) in cash generated by the discontinued operations		**9,505**	(3,220)

35. DISCONTINUED OPERATIONS *(Continued)*

(a) Financial performance and cash flow information *(Continued)*

An analysis of net cash flow in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration received	43,078
Cash and cash balances disposed of	(13,552)
Total cash inflow from disposal of subsidiaries	29,526

(b) Details of the disposal of subsidiaries

	HK$'000
Cash consideration received	43,078
Financial guarantee asset	227,273
Investment retained in the New GSH Group	17,140
Carrying amount of net liabilities disposed of	381,855
Financial guarantee liability	(227,273)
Non-controlling interests in the New GSH Group	(137,467)
Gain on disposal of subsidiaries before tax and reclassification of exchange reserve	304,606
Release of exchange reserve upon disposal of subsidiaries	326,685
Direct transaction costs and professional fees	(10,005)
Gain on disposal of subsidiaries after tax	621,286

35. DISCONTINUED OPERATIONS *(Continued)*

(c) Details of the net liabilities disposed of:

	HK$'000
NON-CURRENT ASSETS	
Property, plant and equipment	312,325
Right-of-use assets	38,813
Intangible assets	1,704
	352,842
CURRENT ASSETS	
Inventories	34,154
Trade receivables	67,952
Prepayments, deposits and other receivables	106,857
Cash and bank balances	13,552
	222,515
CURRENT LIABILITIES	
Trade payables	138,045
Other payables and accruals	323,446
Tax payables	249
Interest-bearing bank and other borrowings	440,910
Due to former fellow subsidiaries	54,038
Lease liabilities	172
	956,860
NON-CURRENT LIABILITIES	
Deferred income	352
NET LIABILITIES	(381,855)

36. CAPITAL COMMITMENTS

	2023 **HK$'000**	2022 *HK$'000*
Contracted, but not provided for:		
Purchase/Construction of property, plant and equipment	**530,571**	548,753

37. 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	2023 HK$'000	2022 HK$'000
Key management personnel	Short-term employee benefits	**3,031**	3,272
	Post-employment benefits	**200**	311
		3,231	3,583
The Nongtou Group	Purchase of corn kernels	**427,995**	—
	Interest on payables	**64,206**	74,343
	Interest on other borrowings	**8,206**	9,114
Nongtou	Guarantees charge	**30,287**	20,349
	Debt restructuring service fee	**21,758**	—

(ii) Balances with related parties

	2023 HK$'000	2022 HK$'000
Due from a joint venture (a)	**2,157**	1,055
Due to an associate (a)	**(746)**	(840)
Trade payables to the Nongtou Group (b)	**(267,246)**	(276,357)
Other payables to the Nongtou Group (c)	**(1,049,508)**	(757,032)
Other borrowings from the Nongtou Group (d)	**(1,836,428)**	(103,580)

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 6.5% to 7.8% per annum (2022: 6.5% to 8.5% 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 6.5% to 12.0% per annum (2022: 6.5% to 12.0% per annum) and are repayable on demand and guarantee charge payables to Nongtou which bear interest at 3.5% per annum (2022: 3.5% per annum).

(d) The other borrowings from the Nongtou Group included secured and unsecured, interest-bearing at 5.7% to 7.8% per annum (2022: Nil) and 5.9% to 6.6% (2022: 8.0% to 13.6%) respectively and repayable on demand.

(iii) Compensation of key management personnel

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

38. 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:

	2023 *HK$'000*	2022 *HK$'000*
Financial assets at amortised cost		
Trade receivables	**140,214**	59,845
Financial assets included in prepayments, deposits and other receivables	**174,281**	188,111
Due from a joint venture	**2,157**	1,055
Pledged bank deposits	**111**	173
Cash and bank balances	**88,246**	41,766
	405,009	290,950
Designated FVOCI	**208**	208
Financial assets at FVPL		
Listed equity investment, at fair value	**17,140**	—
Financial guarantee asset	**227,273**	—
	244,413	—
	649,630	291,158
Financial liabilities at amortised cost		
Trade payables	**904,170**	1,201,524
Financial liabilities included in other payables and accruals	**2,601,692**	2,982,880
Due to an associate	**746**	840
Interest-bearing bank and other borrowings	**3,598,435**	7,113,550
Convertible Bonds	**801,250**	1,037,451
Lease liabilities	**345**	2,247
	7,906,638	12,338,492
Financial liability at FVPL		
Financial guarantee liability	**227,273**	—
	8,133,911	12,338,492

The Directors 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 reviews and agrees policies for managing each of these risks and they are summarised below.

38. 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 profit before tax would have decreased/increased by HK$34,983,000 (2022: loss before tax would have increased/decreased by HK$67,117,000).

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 2022.

Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, pledged bank deposits, trade 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, Europe and the PRC, which management considers they are without significant credit risk.

Trade receivables

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group normally allows credit terms of 30 to 90 days (2022: 30 to 90 days) to established customers. The Group maintains strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group. 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 9.3% (2022: 23.3%) and 17.4% (2022: 61.3%) of the Group's total trade receivables were due from the Group's largest customer and the five largest customers respectively.

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

Credit risk *(Continued)*

Trade 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. If the ECL rates on the trade receivables past due had been 2% higher (lower) at the end of the reporting period, with other assumptions held constant, the loss allowance would have been HK$369,000 (2022: HK$149,000) higher (lower). 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 2023				
Not past due	**0.4%-0.6%**	**122,622**	**(739)**	**No**
1-30 days past due	**0.6%**	**13,609**	**(87)**	**No**
31-270 days past due	**1.1%-1.4%**	**4,861**	**(52)**	**No**
Over 271 days past due	**100.0%**	**339,808**	**(339,808)**	**Yes**
		480,900	**(340,686)**	
At 31 December 2022				
Not past due	0.4%-0.6%	52,776	(320)	No
1-30 days past due	0.6%	2,479	(16)	No
31-270 days past due	1.1%-1.4%	4,981	(55)	No
Over 271 days past due	100.0%	417,186	(417,186)	Yes
		477,422	(417,577)	

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

Credit risk *(Continued)*

Trade receivables *(Continued)*

At 31 December 2023, the Group recognised loss allowance of HK$340,686,000 (2022: HK$417,577,000) on the trade receivables. The movements in the loss allowance for trade receivables during the years are summarised below.

	2023 **HK$'000**	2022 HK$'000
At 1 January	**417,577**	445,977
Increase in allowance	**341**	1,660
Reversal of allowance	**(549)**	(2,936)
Derecognition of a subsidiary	**(11,554)**	—
Disposal of subsidiaries	**(70,086)**	—
Exchange realignment	**4,957**	(27,124)
At 31 December	**340,686**	417,577

The individually impaired trade 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.

	2023 **HK$'000**	2022 HK$'000
Deposits and other receivables	**114,925**	169,293
Loss allowance	**(70,445)**	(115,408)
	44,480	53,885

As at 31 December 2023, the Group recognised loss allowance of HK$70,445,000 (2022: HK$115,408,000) on the other receivables based on lifetime ECL.

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

Credit risk *(Continued)*

Other receivables *(Continued)*

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

	2023 HK$'000	2022 HK$'000
At 1 January	**115,408**	112,774
Increase in allowance	**4,111**	10,400
Derecognition of a subsidiary	**(22,221)**	—
Disposal of subsidiaries	**(25,508)**	—
Exchange realignment	**(1,345)**	(7,766)
At 31 December	**70,445**	115,408

Liquidity risk

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

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

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

	On demand HK$'000	Less than 3 months HK$'000	More than 3 months but less than 12 months HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000
At 31 December 2023						
Trade payables	904,170	–	–	–	–	904,170
Financial liabilities included in other payables and accruals	2,601,692	–	–	–	–	2,601,692
Due to an associate	746	–	–	–	–	746
Interest-bearing bank and other borrowings	2,907,857	9,867	706,561	10,868	–	3,635,153
Convertible Bonds	–	–	–	1,086,280	–	1,086,280
Lease liabilities	–	348	–	–	–	348
	6,414,465	10,215	706,561	1,097,148	–	8,228,389

38. 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 2022						
Trade payables	1,201,524	–	–	–	–	1,201,524
Financial liabilities included in other payables and accruals	2,982,880	–	–	–	–	2,982,880
Due to an associate	840	–	–	–	–	840
Interest-bearing bank and other borrowings	6,352,703	13,339	786,219	–	–	7,152,261
Convertible Bonds	–	–	1,086,280	–	–	1,086,280
Lease liabilities	–	522	1,393	348	–	2,263
	10,537,947	13,861	1,873,892	348	–	12,426,048

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.

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 of the Company, return capital to shareholders of the Company or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

39. 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, majority of the litigations have been concluded by the court and/or settled, while some of the litigations are still pending judgement. Since the Group has already recorded these payables in the consolidated financial statements, the Directors are of the view that the litigations will not have any significant financial impact to the Group.

40. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	2023 HK$'000	2022 HK$'000
Non-current assets		
Investments in subsidiaries	**—**	—
Current assets		
Other receivables	**604**	962
Financial guarantee asset	**227,273**	—
Cash and cash equivalents	**337**	220
	228,214	1,182
Current liabilities		
Other payables and accruals	**10,904**	4,561
Financial guarantee liability	**969,255**	940,452
Convertible Bonds	**—**	1,037,451
	980,159	1,982,464
Net current liabilities	**(751,945)**	(1,981,282)
Total assets less current liabilities	**(751,945)**	(1,981,282)
Non-current liabilities		
Convertible Bonds	**801,250**	—
Financial guarantee liability	**—**	41,844
	801,250	41,844
NET LIABILITIES	**(1,553,195)**	(2,023,126)
Equity		
Share capital	**890,741**	890,741
Reserves (a)	**(2,443,936)**	(2,913,867)
TOTAL DEFICIT	**(1,553,195)**	(2,023,126)

The statement of financial position was approved and authorised for issue by the Board on 28 March 2024 and signed on its behalf by

Wang Cheng
Director

Wang Guicheng
Director

40. 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 2022	3,137,033	972,056	(6,598,385)	(2,489,296)
Loss and total comprehensive loss for the year	–	–	(424,571)	(424,571)
At 31 December 2022 and 1 January 2023	3,137,033	972,056	(7,022,956)	(2,913,867)
Profit and total comprehensive income for the year	–	–	365,277	365,277
Transfer upon expiry of Convertible Bonds	–	(972,056)	972,056	–
Modification of Convertible Bonds	–	104,654	–	104,654
At 31 December 2023	3,137,033	104,654	(5,685,623)	(2,443,936)

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.

41. FINANCIAL GUARANTEES

Guarantees were provided by the Company and Dihao Foodstuff in respect of the debts ("**Jinzhou Yuancheng Loans**") owed by Jinzhou Yuancheng, a subsidiary of GSH ("**Jinzhou Yuancheng Guarantees**"), as requested of the lenders/banks. Following the completion of Dihao Transfer, Dihao Foodstuff will cease to be a subsidiary of GSH and remain as a subsidiary of the Group. The New GSH Group (including Jinzhou Yuancheng) will also cease to be a subsidiary of the Company following the completion of the GSH Disposal.

41. FINANCIAL GUARANTEES *(Continued)*

Financial guarantee asset

In the light of the restructuring of the GSH Group and the Group, it will be logical and advisable to procure release of the obligations and liabilities of the Company and Dihao Foodstuff under the Jinzhou Yuancheng Guarantees as each of the Company and Dihao Foodstuff will no longer be the ultimate holding company and fellow subsidiary of Jinzhou Yuancheng following the GSH Completion and the Dihao Completion. It will make commercial sense for GSH to provide counter-guarantee and indemnity to the Company and Dihao Foodstuff (the "**GSH Counter-guarantee**") such that, subsequent to the GSH Completion and the Dihao Completion, the Company and Dihao Foodstuff will be covered for the obligations and liabilities it may incur under the Jinzhou Yuancheng Guarantees in connection with the debts owed by Jinzhou Yuancheng, a then non-group entity of the Company and Dihao Foodstuff. This will also serve to bring the financial assistance provision arrangements in line with the new structure of the GSH Group, where GSH will become the de facto entity providing guarantee in respect of the Jinzhou Yuancheng Loans owed by Jinzhou Yuancheng, its indirect wholly-owned subsidiary.

The management has assessed, with the assistance from the independent valuer, the fair value of the GSH Counter-guarantee as at date of the GSH Completion and 31 December 2023 of approximately HK$227,273,000 and recorded as financial guarantee asset.

Financial guarantee liability

The management has assessed, with the assistance from the independent valuer, the fair value of the Jinzhou Yuancheng Guarantees as at date of the GSH Completion and 31 December 2023 of approximately HK$227,273,000 as financial guarantee liability.

42. EVENTS AFTER THE REPORTING PERIOD

(i) Completion of connected transaction in relation to the issue of CPS under specific mandate

On 30 November 2023 (after trading hours), Jilin Yuanheng and Jilin Liheng as the CPS Subscribers, and the Company, as issuer, entered into the CPS Subscription Agreement pursuant to which (i) Jilin Yuanheng conditionally agreed to subscribe for such number of non-voting convertible preference share(s) of HK$0.10 each in the capital of the Company (the "**Yuanheng CPS**") that could be issued to Jilin Yuanheng by fully utilising the Jilin Yuanheng's subscription monies (i.e. RMB250,000,000; and (ii) Jilin Liheng conditionally agreed to subscribe for such number of CPS (the "**Liheng CPS**") that could be issued to Jilin Liheng by fully utilising the Jilin Liheng's subscription monies (i.e. RMB1,330,000,000, at a subscription price of HK$0.10 per Yuanheng CPS and Liheng CPS.

For details of the CPS Subscription, please refer to the announcement of the Company dated 30 November 2023 and a circular of the Company dated 14 December 2023 (the "**Circular**").

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

(i) Completion of connected transaction in relation to the issue of CPS under specific mandate *(Continued)*

Reference is made to the announcement of the Company dated 4 January 2024, following the passing of the resolutions as set out in the notice of EGM of the Company dated 14 December 2023 on 31 December 2023 (the "**Resolutions**"), all the conditions precedent set out in the CPS Subscription Agreement have been fulfilled and the completion of the CPS Subscription took place on 4 January 2024. As such, 14,535,514,629 Liheng CPS and 2,732,235,940 Yuanheng CPS were respectively issued to Jilin Liheng and Jilin Yuanheng. The rate for conversion of the Subscription CPS into ordinary share of the Company is on a one for one basis.

The aggregate nominal value of the Subscription CPS is HK$1,726,775,056.9 based on the nominal value of HK$0.10 per CPS. The gross proceeds of the CPS Subscription amounted to approximately HK$1,726,775,000 (equivalent to RMB1,580,000,000). The net proceeds from the CPS Subscription, after the deduction of the professional and other related expenses, are approximately HK$1,716,775,000.

(ii) Completion of debt restructuring – Jinzhou CCB Loans

In respect of the loans in the aggregate principal amount of RMB188.7 million ("**Jinzhou CCB Loans**") and outstanding interest accrued thereon due from Jinzhou Yuancheng, 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 (2022: RMB213.9 million) of certain members of the Group and the GSH Group was granted by the order of the 遼寧省瀋陽市中級人民法院 (Intermediate People's Court of Shenyang City, Liaoning Province*) (the "**Shenyang Intermediate Court**") in favour of Jinzhou CCB. The relevant debt restructuring has been completed in January 2024. As a result, the remaining balance of the Jinzhou CCB Loans and interest under the Jinzhou CCB Loans have been waived and all repayment obligations of the Group have been fulfilled. The release of preservation of the Group's assets have been granted by the Shenyang Intermediate Court subsequently.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 28 March 2024.

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				
	2023[@] **HK$'000**	2022[^] HK$'000 (Re-presented)	2021[^] HK$'000	2020[^] HK$'000	2019[^] HK$'000
RESULTS					
REVENUE	**1,373,938**	12,711	746,551	848,867	4,561,391
Cost of sales	**(1,330,301)**	(5,381)	(698,200)	(774,767)	(4,357,862)
Gross profit	**43,637**	7,330	48,351	74,100	203,529
Other income and gains	**26,173**	16,796	1,406,507	389,748	684,375
Selling and distribution costs	**(66,083)**	(9,197)	(63,450)	(85,876)	(407,789)
Administrative expenses	**(304,070)**	(258,308)	(372,761)	(362,313)	(440,695)
Other expenses	**(256,325)**	(496,389)	(635,527)	(971,237)	(510,420)
Gain on derecognition of a subsidiary	**421,870**	–	–	–	–
Gain on debt restructuring	**4,284,830**	–	–	–	–
Gain (Loss) on modification of convertible bonds	**301,364**	–	–	(728,190)	–
Share of loss of a joint venture	**–**	–	(2,004)	(2,332)	(1,541)
Finance costs	**(750,351)**	(685,178)	(790,585)	(724,826)	(604,076)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**3,701,045**	(1,424,946)	(409,469)	(2,410,926)	(1,076,617)
Income tax credit (expenses)	**42,082**	46,788	(25,920)	(22,340)	(39,717)
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**3,743,127**	(1,378,158)	(435,389)	(2,433,266)	(1,116,334)
DISCONTINUED OPERATIONS					
Profit (loss) for the year from discontinued operations	**481,466**	(141,407)	–	–	–
Profit (loss) for the year	**4,224,593**	(1,519,565)	(435,389)	(2,433,266)	(1,116,334)
Profit (loss) attributable to:					
Owners of the Company	**4,224,593**	(1,443,068)	(400,801)	(2,429,949)	(1,067,819)
Non-controlling interests	**–**	(76,497)	(34,588)	(3,317)	(48,515)
	4,224,593	(1,519,565)	(435,389)	(2,433,266)	(1,116,334)
TOTAL ASSETS	**5,209,096**	5,849,887	6,482,715	7,601,594	8,234,929
TOTAL LIABILITIES	**(9,246,002)**	(13,636,943)	(13,183,540)	(13,618,669)	(12,580,920)
NON-CONTROLLING INTERESTS	**–**	248,063	183,121	155,930	148,126
	(4,036,906)	(7,538,993)	(6,517,704)	(5,861,145)	(4,197,865)

@ Details of the unmodified audit opinion with a paragraph in relation to material uncertainty related to going concern are set out in the independent auditor's report on page 68 to page 73.

^ Disclaimer of audit opinion was issued in respect of the Group's consolidated financial statements for the years ended 31 December 2022, 2021, 2020, and 2019. Please refer to the Company's 2022, 2021, 2020, and 2019 annual reports for details.