大成糖業控股有限公司*

GLOBAL Sweeteners Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03889

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
"Audit Committee"	the audit committee of the Company
"Auditor"	the auditor of the Company, Mazars CPA Limited
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday, public holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
"CB First Completion"	completion of the issuance of the Convertible Bonds in the aggregate principal amount of RMB60.0 million by the Company and the subscription of the aforesaid Convertible Bonds by the Joint Offerors, as subscribers, on the CB First Completion Date pursuant to the terms of the CB Subscription Agreement
"CB First Completion Date"	the 60th Business Day following the date on which the conditions precedent (other than conditions precedent that are stipulated to be fulfilled on the date of CB First Completion) in respect of CB First Completion as set out in the CB Subscription Agreement are fulfilled or waived (as the case may be), or such other date as the Company and the Joint Offerors, as subscribers, shall agree in writing
"CB Subscription"	the subscription of the Convertible Bonds under specific mandate pursuant to the terms of the CB Subscription Agreement
"CB Subscription Agreement"	the conditional subscription agreement entered into between the Company and the Joint Offerors as subscribers dated 6 April 2023 in relation to the CB Subscription
"CCT Executive Committee"	the management team comprising two representatives from the senior management of the Group, established by the Board and responsible for the monitoring, review and management of the continuing connected transactions between the Group and the GBT Group
"CCT Supervisory Committee"	the committee comprising three independent non-executive Directors established by the Board to supervise the CCT Executive Committee
"CG Code"	the Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules
"Company"	Global Sweeteners Holdings 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
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Conversion Price"	the conversion price per Conversion Share at which Conversion Shares will be issued upon exercise of the Conversion Rights attaching to the Convertible Bonds, being initially HK$0.1 per Conversion Share, subject to adjustments pursuant to the terms and conditions of the Convertible Bonds
"Conversion Rights"	the rights pursuant to the terms and conditions of the Convertible Bonds attaching to each Convertible Bond to convert the principal amount or a part thereof into Shares
"Conversion Shares"	new Shares fall to be allotted and issued by the Company pursuant to the exercise of the Conversion Rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds
"Convertible Bonds"	the RMB120.0 million (equivalent to approximately HK$138.0 million), 3 year, 5 per cent. convertible bonds to be issued by the Company to the Joint Offerors as subscribers in accordance with the terms of the CB Subscription Agreement
"Corporate Governance Committee"	the Corporate Governance Committee of the Company
"COVID-19"	coronavirus disease
"DDT Master Purchase Agreement"	the agreement dated 1 January 2023 and entered into between DDT Supply Chain as supplier and Shanghai Haocheng as purchaser in relation to the purchase of corn starch and sugar syrup by Shanghai Haocheng from DDT Supply Chain for the term commencing from 1 January 2023 and ending on 31 December 2024
"DDT Supply Chain"	點點通供應鏈科技(深圳)有限公司 (DDT Supply Chain Technology (Shenzhen) Co., Ltd.*), a company established in the PRC with limited liability
"Dihao Companies"	Dihao Crystal Sugar and Dihao Foodstuff, the companies disposed of under the Dihao SPAs
"Dihao Completion"	the completion of the Dihao Transfer in accordance with the Dihao SPAs, which took place on 21 December 2023
"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 the Company as at the date of the Dihao SPA II and prior to the 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 the Company as at the date of the Dihao SPA I and prior to the Dihao Completion
"Dihao Purchaser"	Global Bio-Chem Technology (HK) Limited, a direct wholly-owned subsidiary of GBT, the purchaser under the Dihao SPAs
"Dihao SPA I"	the sale and purchase agreement dated 6 April 2023 entered into between the 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 the 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 Group to GBT Group under the Dihao SPAs
"Dihao Vendor A"	Global Sweeteners (China) Limited, a wholly-owned subsidiary of the Company and one of the Dihao Vendors under the Dihao SPA I and Dihao SPA II
"Dihao Vendor B"	Global Starch (Changchun) Investments Limited, a wholly-owned subsidiary of the Company and one of the Dihao Vendors under the Dihao SPA I
"Dihao Vendor C"	Global Sorbitol (H.K.) Company Limited, a wholly-owned subsidiary of the Company 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)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company
"GBT"	Global Bio-chem Technology Group Company 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: 00809), which holds 500,000 Shares (representing approximately 0.03% of the entire issued share capital of the Company) and indirectly held 259,813,000 Shares (representing approximately 17.01% of the entire issued share capital of the Company) through Global Corn Bio-Chem as at the date of this report
"GBT Group"	GBT and its subsidiaries, for the purpose of this report, excludes the Group
"Global Corn Bio-Chem"	Global Corn Bio-Chem Technology Company Limited, a wholly-owned subsidiary of GBT, which held 259,813,000 Shares (representing approximately 17.01% of the entire issued share capital of the Company) as at the date of this report
"GP"	吉林省現代農業產業基金有限公司(Jilin Province Modern Agricultural Industry Fund Limited*)
"Group"	the Company and its subsidiaries from time to time
"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 Counter-guarantee"	the counter-guarantee and indemnity provided by the Company to GBT and Dihao Foodstuff in respect of the obligations and liabilities that GBT and Dihao Foodstuff may incur and suffer under the guarantees provided by GBT and/or Dihao Foodstuff to Jinzhou CCB and Tiebei BOJ in respect of the debts to be owed by Jinzhou Yuancheng to Jinzhou CCB and Tiebei BOJ under the guarantee agreements dated 13 September 2018, 20 May 2019 and 27 December 2021
"GSH Counter-guarantee Deed"	the deed of counter-guarantee executed by the Company, GBT and Dihao Foodstuff pursuant to which the Company will, among others, provide the GSH Counter-guarantee to GBT and Dihao Foodstuff

"GSH Disposal"	the disposal of the GSH Sale Shares under the GSH SPA
"GSH Sale Shares"	717,965,000 Shares held by Global Corn Bio-Chem as at the date of the GSH SPA and sold to the Joint Offerors under the GSH SPA, representing approximately 47.00% of the entire issued share capital of the Company as at the date of the GSH SPA
"GSH SPA"	the sale and purchase agreement dated 6 April 2023 entered into by the Joint Offerors and Global Corn Bio-Chem for the acquisition of the GSH Sale Shares by the Joint Offerors
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	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 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 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*), a PRC government body within the meaning of Listing Rules and a substantial shareholder of GBT within the meaning of Part XV of the SFO
"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 the Company
"Joint Offerors" or "New Controlling Shareholders"	collectively, Mr. Wang Tieguang and Mr. Kong Zhanpeng, the purchasers under the GSH SPA, the subscribers under the CB Subscription Agreement and the Joint Offerors under the Offer
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Master Purchase Agreements"	collectively, the DDT Master Purchase Agreement and Ruihao Master Purchase Agreement
"Memorandum and Articles of Association"	the memorandum and articles of association of the Company, as amended from time to time
"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"	Modern Agricultural Industry Investment Limited
"Modern Agricultural Holdings"	Modern Agricultural Industry Investment Holdings Limited
"MT"	metric tonnes

DEFINITIONS

"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 Ltd.*)
"Nongtou"	吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co.,Ltd.*), a controlling Shareholder and a controlling shareholder of GBT within the meaning of Listing Rules
"Offer"	the mandatory unconditional general cash offer made by CCB International Capital Limited and China Galaxy International Securities (Hong Kong) Co., Limited for and on behalf of the Joint Offerors to acquire all of any and all of the issued Share(s) not already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them in the Offer pursuant to Rule 26.1 of the Takeovers Code immediately after the GSH Completion
"PRC" or "China"	People's Republic of China
"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)*)
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Ruihao (Guangzhou)"	鋭豪科創商貿(廣州)有限公司 (Ruihao Property (Guangzhou) Co., Ltd.*), a company established in the PRC with limited liability
"Ruihao Master Purchase Agreement"	the agreement dated 1 January 2023 and entered into between Ruihao (Guangzhou) as supplier and Shanghai Haocheng as purchaser in relation to the purchase of corn starch and sugar syrup by Shanghai Haocheng from Ruihao (Guangzhou) for the term commencing from 1 January 2023 and ending on 31 December 2024
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Haocheng"	上海好成食品發展有限公司 (Shanghai Haocheng Food Development Co. Ltd*), an indirect wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"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
"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.*), a lender of Jinzhou Yuancheng
"Tiebei BOJ Loans"	the loans from Tiebei BOJ to Jinzhou Yuancheng with the aggregate principal amount being RMB212.5 million together with outstanding interest
"Year"	the year ended 31 December 2023
"Yuancheng CCB Loans"	the loans from Jinzhou CCB to Jinzhou Yuancheng with the aggregate principal amount being RMB188.7 million together with outstanding interest as at 31 December 2023
"%"	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 Tieguang *(Joint chairman)*
(Appointed on 28 December 2023)
Mr. Kong Zhanpeng *(Joint chairman)*
(Appointed on 28 December 2023)
Mr. Wang Guicheng *(Resigned on 17 January 2024)*

Non-executive Director

Mr. Tai Shubin *(Re-designated from an executive Director to a non-executive Director on 18 January 2024)*

Independent non-executive Directors

Ms. Li Guichen *(Appointed on 18 January 2024)*
Ms. Liu Ying *(Appointed on 18 January 2024)*
Mr. Lo Kwing Yu
Mr. Fan Yeran *(Resigned on 18 January 2024)*
Mr. Fong Wai Ho *(Resigned on 18 January 2024)*

COMPANY SECRETARY

Mr. Chan Sing Fai, ACG, HKACG, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.global-sweeteners.com

STOCK CODE

03889

Dear Shareholders,

During the Year, the Company's major controlling Shareholder, Global Corn Bio-Chem transferred, in total, 47.0% of its interests in the issued share capital of the Company to us, and such transfer was completed in late December 2023. Subsequently, we assumed the role of executive Directors and joint chairmen of the Company. As important members of the Company, we will leverage our industry experience and resources to lead the Group in improving its overall efficiency and competitive edge.

In 2023, the global economy continued to be under inflationary pressure. Numerous countries had tightened their monetary policies, resulting in increased borrowing costs and suppressed consumption and investment. China's gross domestic product ("**GDP**") in 2023 increased by 5.2% year-on-year, which was higher than the global economic growth of 3%. However, the pace of domestic economic recovery was lower than expected. The capacity utilisation rate of several manufacturing sectors had yet to return to pre-pandemic level and the credit crisis in the real estate industry continued to persist. Facing an uncertain economic outlook, both personal consumption and corporate investment tended to be more conservative.

During the Year, the Group's revenue and gross profit of the sweetener segment, being the continuing operations of the Group, increased by 22.6% and 34.1% year-on-year to HK$440.8 million and HK$36.6 million respectively. Domestic sugar price started to increase in the early 2023. Although the sugar price recorded a slight decline due to the increase in supply during the new harvest season, the overall sugar price remained at relatively high levels throughout the Year, driving up the price of domestic sweetener products. Moreover, the Group concentrated its sweetener production in the Shanghai production site during the Year. By streamlining the business structure of the Shanghai production site, effectively adjusting and controlling the number of staff, the Group strengthened cost control throughout the production process, resulting in improved operational efficiency of the Shanghai production site.

In late December 2023, the Group completed the transfer of the Dihao Companies to GBT. Dihao Companies ceased to be the subsidiaries of the Company, and the profit and loss account and balance sheets of the Dihao Companies were no longer consolidated into the consolidated financial statements of the Group. Owing to the transfer of the Dihao Companies, the Group recorded a one-off gain of approximately HK$477.0 million, which led to a significant improvement in the operating results for the entire year when compared to the previous year and further reduction in the Group's debt and a better overall financial position.

The Group had reached a consensus with its creditors on the debt restructuring plan in relation to the Yuancheng CCB Loans, which was completed in the first quarter of this year. It is expected to have positive impact on the Group's overall results and financial position in 2024.

In addition, the Group expects the issue of the Convertible Bonds in the aggregate principal amount of RMB120.0 million could provide additional funding to ease the Group's financial situation, and provide financial resources at the initial stage of resumption of the Jinzhou production facilities.

The aforementioned factors and a series of measures to be taken by the Group in future will significantly help to alleviate the heavy debt burden and tight financial situation that have been plaquing the Group for a long time. They will also help ensure a continued stable business development and an increasingly brighter prospect. 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 plan 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 Auditors, 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 the financial position of the Group in the coming years.

MESSAGE TO SHAREHOLDERS

OUTLOOK

According to International Monetary Fund, the global economic growth rate is expected to be 3.1% in 2024, similar to that in 2023. China's GDP growth rate target for 2024 is 5%, and it is expected that the economy will achieve a relatively stable development. Nonetheless, factors including the geopolitical changes, monetary interest rate trend and whether or not the domestic real estate industry can achieve a soft landing still cast a shadow on the economic outlook.

In 2024, sugar price is expected to remain at high levels. The price of corn, being the major raw material for the Group's corn starch and corn sweeteners, started to fall in the fourth quarter of 2023 and sank to their lowest level in three years in February 2024. We will examine the market trends, evaluate on our financial situation and seize opportunities to resume our production facilities in Jinzhou, thereby reducing the product unit cost and improving the overall operating efficiency.

We are extremely grateful for the unwavering support and cooperation from our stakeholders, enabling us to resolve the debt issues that have been plaguing the Group for years and paving the way for a healthy development. The Group will continue to leverage its technological advantages, expand product range targeting the retail market, while developing various products to meet market demands. It will strive to increase sales revenue through a diversified product portfolio, thereby maintaining a steady cash flow.

Wang Tieguang
Kong Zhanpeng
Joint chairmen

28 March 2024

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

BUSINESS REVIEW

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

During the Year, the PRC entered into a new 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, representing 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 a 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. The operating environment for upstream corn refinery industry has been challenging during the Year, and as a result, the Group has continued to suspend its upstream operation during the Year. As the trend of corn price is going down and the New Controlling Shareholders have joined the Group at the end of 2023 and will provide additional funds to the Group, as such, the Group would consider resuming its upstream operation in 2024.

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 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.

Along with the receding pandemic, the corn price decrease and sugar price increase were driving up the production capacity of the Group's Shanghai sites. Besides, the completion of the Group's restructuring plan during 2023 in relation to, among others, (1) the Dihao Transfer and (2) the GSH Disposal, it is expected that the Group's financial position would be significantly improved and the New Controlling Shareholders shall create different opportunities for the better development of the Group.

In the short run, the Group will continue to monitor closely the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies so as to optimise the operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence. In the long run, the Group will continue to strengthen its market position utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, and further improve cost effectiveness and product mix through continuous research and development efforts. Especially, post-pandemic health awareness continues to grow among consumers, the Group is actively exploring to expand the sweeteners products and related products in line with the concept of health and new generation food consumption preference.

FINANCIAL PERFORMANCE

Continuing Operations

During the Year, the Group's production facilities in its Shanghai site has resumed operation since the second quarter of 2022 from its temporary suspension. Consequently, the sales volume and the consolidated revenue from continuing operations of the Group increased by approximately 34.9% and 22.6% to approximately 116,000 MT (2022: 86,000 MT) and HK$440.8 million (2022: HK$359.6 million) respectively during the Year. While the gross profit margin of the Group remained stable and increased slightly by 0.7 percentage points to 8.3% (2022: 7.6%), the consolidated gross profit of the Group for the Year increased by approximately 34.1% to approximately HK$36.6 million (2022: HK$27.3 million) mainly attributable to the increase in sales volume in 2023.

Upstream products

(Sales amount: Nil (2022: Nil))
(Gross profit: Nil (2022: Nil))

During the Year, no sale of upstream products was recorded as the Group suspended all its upstream operations to minimise financial risks and secure financial resources during the time of economic uncertainty while its inventory had been fully sold in 2021. As a result, no revenue from the sale of corn starch and other corn refined products (2022: Nil and Nil) were recorded during the Year. No internal consumption of corn starch was recorded during the Year (2022: Nil).

Corn sweeteners

Corn syrup

(Sales amount: HK$383.1 million (2022: HK$313.8 million))
(Gross profit: HK$31.8 million (2022: HK$20.1 million))

During the Year, the revenue of the corn syrup segment increased by approximately 22.1% to approximately HK$383.1 million (2022: HK$313.8 million). Such increase was mainly attributable to the increase in sales volume by approximately 33.8% to approximately 99,000 MT (2022: 74,000 MT) as the Group's Shanghai production site resumed operation subsequent to its temporary suspension in the second quarter of 2022. Meanwhile, raw material cost has dropped at a faster rate than the decrease in selling price of corn syrup products during the Year and the corn syrup segment recorded gross profit of approximately HK$31.8 million (2022: HK$20.1 million) for the Year, with gross profit margin increased to 8.3% (2022: 6.4%).

Corn syrup solid

(Sales amount: HK$57.7 million (2022: HK$45.8 million))
(Gross profit: HK$4.8 million (2022: HK$7.2 million))

During the Year, the revenue of the corn syrup solid segment increased by approximately 26.0% to approximately HK$57.7 million (2022: HK$45.8 million). Such increase was mainly attributable to the increased in sales volume by approximately 41.7% to approximately 17,000 MT (2022: 12,000 MT) as the Group's Shanghai production site resumed operation subsequent to its temporary suspension in the second quarter of 2022. Due to a greater drop of average selling price as compared with the average unit cost of corn syrup solid during the Year, the gross profit and gross profit margin of the corn syrup solid segment decreased to approximately HK$4.8 million (2022: HK$7.2 million) and 8.3% (2022: 15.7%), respectively.

Export sales

During the Year, export sales accounted for approximately 2.3% (2022: 3.6%) of the Group's total revenue. The Group exported approximately 2,500 MT (2022: 3,000 MT) of corn sweeteners which amounted to sales of approximately HK$10.2 million (2022: HK$13.0 million) during the Year.

Other income and gains

During the Year, other income and gains of the Group decreased by approximately 18.4% to approximately HK$11.5 million (2022: HK$14.1 million), mainly attributable to the decrease in sale of scrap raw materials to approximately HK$0.7 million (2022: HK$8.8 million).

Selling and distribution costs

During the Year, the selling and distribution costs dropped by approximately 3.9% to approximately HK$29.3 million (2022: HK$30.5 million), accounting for approximately 6.6% (2022: 8.5%) of the Group's revenue. Such decrease was mainly attributable to the application of cost control measures on sales commission during the Year.

Administrative expenses

During the Year, administrative expenses decreased by approximately 10.7% to approximately HK$62.4 million (2022: HK$69.9 million). Such decrease was mainly resulting from the application of cost control measures on staff benefits during the Year.

Other expenses

Other expenses of the Group increased to approximately HK$58.1 million (2022: HK$48.8 million) during the Year. Such increase was mainly attributable to impairment of property, plant and equipment in the Group's Jinzhou production site of approximately HK$21.3 million.

Finance costs

During the Year, finance costs of the Group slightly increased by approximately 3.4% to approximately HK$42.4 million (2022: HK$41.0 million). Such increase was mainly attributable to the additional interest on amount payable to a former fellow subsidiary since September 2022 during the Year.

Income tax credit

Due to the recognition of temporary differences, the Group recorded deferred tax credit of approximately HK$4.4 million (2022: HK$7.4 million) during the Year. Meanwhile, as all the subsidiaries of the Group recorded tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward during the Year, no income tax expenses were recorded for the Year (2022: Nil). As a result, the Group recorded tax credit of approximately HK$4.4 million (2022: HK$7.4 million) during the Year.

All these factors mentioned as above have caused the Group recorded a net loss from continuing operations of the Group of HK$139.8 million (2022: HK$141.4 million) and LBITDA (i.e., loss before interest, taxation, depreciation and amortisation) of approximately HK$39.3 million (2022: HK$48.9 million) for the Year.

Discontinued Operations

On 6 April 2023, the Dihao SPAs have been entered into between the Dihao Vendors and the Dihao Purchaser to transfer the Dihao Companies from the Group to GBT Group and the Dihao Completion took place on 21 December 2023. Upon the Dihao Completion, the financial results of Dihao Companies were no longer consolidated into the consolidated financial statements of the Group and the financial results of Dihao Companies for the Year have been classified as discontinued operations of the Group and the prior year comparative results have been represented throughout the consolidated financial statements of the Group. The discontinued operations of the Group for the Year included but not limited to, (1) a one-off gain of approximately HK$477.0 million from Dihao Completion; and (2) the loss of Dihao Companies of approximately HK$47.7 million.

Net profit attributable to owners of the Company

As a result of the increase in gross profit and recognition of gain on discontinued operations during the Year, the Group recorded a net profit attributable to owners of the Company of approximately HK$289.5 million (2022: net loss of approximately HK$212.5 million) for the Year.

In the meantime, the net liabilities of the Dihao Companies were no longer consolidated into the consolidated financial statements of the Group thereby improving the financial position and gearing level of the Group. For further details of the Dihao Transfer and GSH Disposal, please refer to the joint announcements issued by the Company, GBT, and the Joint Offerors dated 6 April 2023, 19 September 2023 and 21 December 2023, and the circular of the Company dated 31 May 2023.

To further improve the performance and the financial position of the Group, the New Controlling Shareholders will facilitate the completion of the CB Subscription and utilise a portion of the net proceeds for the preparation of the resumption of the Group's Jinzhou production facilities to improve the Group's operating cash flow. In addition, the New Controlling Shareholders will continue to provide financial support including but not limited to facilitating the supply of corn starch and sugar syrup with a better commercial terms to the Group for the production of corn sweetener pursuant to the Master Purchase Agreements respectively to improve the financial liquidity of the Group.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings of the Group as at 31 December 2023 decreased by approximately HK$354.5 million to approximately HK$440.9 million (31 December 2022: HK$795.4 million). The change in total borrowings was mainly attributable to certain bank and other borrowings of approximately HK$322.6 million of Dihao Companies no longer being consolidated into the consolidated financial statements of the Group upon the Dihao Completion, the net repayment of certain bank and other borrowing of approximately HK$5.7 million and the exchange rate adjustment of approximately HK$26.2 million during the Year. On the other hand, cash and bank balances which were mainly denominated in Renminbi and Hong Kong dollars increased by approximately HK$9.3 million to approximately HK$13.6 million (31 December 2022: HK$4.3 million, mainly denominated in Renminbi and Hong Kong dollars) as at 31 December 2023. Consequently, the net borrowings decreased to approximately HK$427.3 million (31 December 2022: HK$791.1 million).

Structure of interest-bearing bank and other borrowings

As at 31 December 2023, the Group's bank and other borrowings of approximately HK$440.9 million (31 December 2022: HK$795.4 million) were all (31 December 2022: all) denominated in Renminbi. All (31 December 2022: all) of the Group's interest-bearing bank and other borrowings were wholly repayable within one year. As at 31 December 2023, interest-bearing bank and other borrowings amounted to approximately HK$233.5 million (31 December 2022: HK$241.5 million) have been charged at fixed interest rates of 7.0% to 8.0% (31 December 2022: 7.0% to 8.0% per annum) for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were charged with reference to floating interest rate.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to the Group's customers depending on their credit worthiness and business relationships with the Group. During the Year, trade receivables turnover days slightly increased to approximately 56 days (31 December 2022: 50 days).

Trade payables turnover days increased to approximately 125 days (31 December 2022: 94 days) during the Year as the Group has negotiated with its suppliers to extend the credit terms.

As at 31 December 2023, the Group's inventory turnover days decreased to approximately 31 days (31 December 2022: 47 days) for the Year as the Group increased stock out frequency to enhance the liquidity of the Group.

As at 31 December 2023, the current ratio and quick ratio were approximately 0.23 (31 December 2022: 0.09) and approximately 0.20 (31 December 2022: 0.06) respectively. Gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total assets (i.e. sum of current assets and non-current assets) was decreased to approximately 76.6% (31 December 2022: 115.8%), it was mainly attributable to the net liabilities of Dihao Companies no longer being consolidated into the consolidated financial statements of the Group upon Dihao Completion.

SIGNIFICANT INVESTMENTS

The Group had no significant investments as at 31 December 2023 and no future plans for material investments or capital assets as at the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the Dihao Transfer as disclosed in the section headed "Important Transactions during the Year" on page 17 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$233,517,000 (2022: HK$575,011,000) were secured by pledge of certain property, plant and equipment of the Group which amounted to approximately HK$191,836,000 (2022: secured by pledge of certain property, plant and equipment, right-of-use assets and a receivable of the subsidiaries of the GBT Group which amounted to approximately HK$302,678,000, HK$13,244,000 and HK$113,636,000 respectively).

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for approximately 2.3% (2022: 3.6%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The Board has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuations. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

IMPORTANT TRANSACTION DURING THE YEAR

The Dihao Transfer

On 6 April 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; and (ii) 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 and each of Dihao Foodstuff and Dihao Crystal Sugar ceased to be a subsidiary of the Company and has become part of the GBT Group (excluding the Group).

Provision of the GSH Counter-guarantee by the Company to the GBT Group

Pursuant to the terms of the Dihao SPAs, the Company executed and delivered to GBT and Dihao Foodstuff the GSH Counter-guarantee Deed pursuant to which the Company will, among others, provide the GSH Counter-guarantee in respect of the obligations and liabilities that GBT and Dihao Foodstuff may incur and suffer under the guarantees provided by GBT and/or Dihao Foodstuff to Jinzhou CCB and Tiebei BOJ in respect of the debts to be owed by Jinzhou Yuancheng to Jinzhou CCB and Tiebei BOJ, in the principal amount of approximately RMB401.5 million and the interest accrued thereon, under the guarantee agreements dated 13 September 2018, 20 May 2019 and 27 December 2021.

The CB Subscription

On 6 April 2023, the Company entered into the CB Subscription Agreement with the Joint Offerors, as subscribers, pursuant to which the Company has conditionally agreed to issue, and the Joint Offerors, have conditionally agreed to subscribe for, the 3 year, 5 per cent Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK$138.0 million), which may be converted into a total of 1,380,000,000 new ordinary share(s) of HK$0.1 each to be allotted and issued by the Company pursuant to the exercise of the conversion right attached to the Convertible Bonds at an initial conversion price of HK$0.1 per Conversion Share, subject to the adjustment pursuant to the terms and conditions of the Convertible Bonds. The net Conversion Price, after deduction of relevant expenses, is approximately HK$0.1 per Conversion Share. The gross proceeds and the net proceeds from the issue of the Convertible Bonds will be RMB120.0 million (equivalent to approximately HK$138.0 million). The CB subscription is yet to take place as at the date of this report.

Mandatory unconditional general offer

Upon the GSH Completion, the Joint Offerors and parties acting in concert with them became interested in a total of 777,673,000 Shares, representing approximately 50.91% of the entire issued share capital of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, upon the GSH Completion, the Joint Offerors and the parties acting in concert with them will be required to make the Offer for all the issued shares of the Company (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them) (the "**Offer Shares**"). CCB International Capital Limited and China Galaxy International Securities (Hong Kong) Co., Limited made the Offer for and on behalf of the Joint Offerors on the terms set out in the composite document jointly issued by the Company and the Joint Offerors dated 27 December 2023 in compliance with the Takeovers Code on the basis of HK$0.06 in cash for every Offer Share (the "**Offer Price**"). The Offer Price was the same as the price per GSH Sale Share payable by the Joint Offerors under the GSH SPA.

Upon the close of Offer on 17 January 2024, the Joint Offerors and parties acting in concert with them became interested in a total of 779,016,430 shares of the Company, representing approximately 51.00% of the entire issued share capital of the Company.

For further details of the Dihao Transfer, the CB Subscription, the GSH Counter-guarantee and the Offer, please refer to the joint announcements issued by the Company, GBT, and the Joint Offerors dated 6 April 2023, 19 September 2023, 21 December 2023 and 17 January 2024, the circular of the Company dated 31 May 2023 and the composite document jointly issued by the Company and the Joint Offerors dated 27 December 2023.

IMPORTANT EVENTS AFFECTING THE GROUP SUBSEQUENT TO THE YEAR UNDER REVIEW

Debts restructuring on the Yuancheng CCB Loans

On 28 December 2023, (i) Jilin Cinda, as creditor, (ii) Jinzhou Yuancheng, as debtor, and (iii) Shanghai Haocheng, as guarantor, entered into a debt restructuring agreement (the "**Debt Restructuring Agreement**"), pursuant to which the Group has agreed to repay to Jilin Cinda RMB88.0 million (the "**Settlement Amount**") within 30 days from the date of the Debt Restructuring Agreement (i.e. on or before 26 January 2024) for the settlement of the Yuancheng CCB Loans. The Group has transferred a total of RMB88.0 million to Jilin Cinda for the purpose of the settlement of Yuancheng CCB Loans. Upon receipt of the Settlement Amount by Jilin Cinda in January 2024, all repayment obligations of the Group under the Debt Restructuring Agreement shall be considered fulfilled and the Group will no longer have the obligations to settle the remaining balance of the Yuancheng CCB Loans. As such, the Group could recognise a one-off gain on the date of completion of the Debt Restructuring Agreement in 2024.

FUTURE PLANS AND PROSPECTS

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

Meanwhile, the Group will continue to monitor closely the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies so as to resumption of the Group's Jinzhou production facilities to enhance the operating cash flow.

The Group will continue to strengthen its market position utilising its brand name, strive to provide excellent customer service and be customer-oriented to understand better their ever- changing demands and product requirements, dedicate more time and energy in resources conservation and development of green products and further improve the cost effectiveness and product mix through continuous research and development efforts.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2023, the Group had approximately 620 (2022: 890) full time employees in Hong Kong and in the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasingly turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards to its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain competitive remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and discretionary bonuses. For the Year, staff costs of continuing operations (including Directors' remuneration) of the Group amounted to approximately HK$64,183,000 (2022: approximately HK$75,936,000).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Tieguang, aged 58, was appointed as an executive Director and the joint chairman of the Board on 28 December 2023. Mr. Wang has over 30 years of extensive experience in sales and marketing. Mr. Wang holds a bachelor's degree in economics from Heilongjiang University. Mr. Wang was an executive director of GBT from September 2000 to September 2010.

Mr. Kong Zhanpeng, aged 60, was appointed as an executive Director and the joint chairman of the Board on 28 December 2023. Mr. Kong has over 30 years of extensive experience in industrial industry, corporate development and management. Mr. Kong holds a bachelor's degree in textile engineering and a diploma in international trade from China Textile University (currently known as Donghua University). Mr. Kong is one of the founders of GBT. Mr. Kong was an executive director of GBT from May 2000 to September 2007 and from December 2013 to May 2014, the chief executive officer of GBT from October 2015 to October 2018 and the chief economist of GBT from December 2018 to December 2019. Mr. Kong was also an executive Director from June 2006 to December 2018. Mr. Kong has been appointed as an independent non-executive director of JX Energy Ltd., a company incorporated in Alberta with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 03395), since 1 August 2023.

NON-EXECUTIVE DIRECTOR

Mr. Tai Shubin, aged 43, was appointed as an executive Director on 17 December 2020 and re-designated to a non-executive Director on 18 January 2024. Mr. Tai graduated from 吉林工商學院 (Jilin Business and Technology College*) (formerly known as 吉林糧食高等專科學校 (Jilin Grain College*)) in July 2004 majoring in financial management. In December 2014, he obtained a bachelor's degree in social work and management from Jilin University. Mr. Tai 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 GBT between July 2018 and October 2022 and has been promoted to the deputy general manager for mainland China region of GBT in October 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Guichen, aged 47, obtained a bachelor's degree from the Department of Computer Science of Jilin University in July 2003. Ms. Li is currently a member of the Chinese Institute of Certified Public Accountants. Ms. Li joined Changchun Municipal Construction (Group) Co., Ltd as an accountant in November 1995, and subsequently worked as the head of audit department at 北京中瑞誠會計師事務所吉林分所 (Jilin Branch of Beijing Horizon Certified Public Accountants Co., Ltd*) from September 2005 to September 2009. Following that, Ms. Li consecutively served as the financial controller of two private companies in the PRC from September 2009 to September 2019. Since September 2019, Ms. Li has been serving at 吉林嘉泰會計師事務所 (Jilin Jiatai Accounting Firm*) as deputy general manager. Ms. Li was appointed as an independent non-executive Director on 18 January 2024, and has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 17 January 2024. Ms. Li has confirmed that she understood her obligations as a director of a listed issuer.

Ms. Liu Ying, aged 46, graduated from the Peking University Law School with a master's degree in law in July 2008. Ms. Liu is currently a practising lawyer in the PRC. Ms. Liu joined 吉林關東律師事務所 (Jilin Guandong Law Firm*) as a lawyer in February 2010, and subsequently served as a senior partner at 北京東易(長春)律師事務所 (Beijing Dongyi (Changchun) Law Firm*) from February 2012 to March 2016. Since March 2016, Ms. Liu has been serving as the senior partner of 北京大成(長春)律師事務所 (Beijing Dacheng Law Offices, LLP (Changchun)*). Ms. Liu was appointed as an independent non-executive Director on 18 January 2024, and has obtained the legal advice as referred to in Rule 3.09D of the Listing Rules on 17 January 2024. Ms. Liu has confirmed that she understood her obligations as a director of a listed issuer.

Mr. Lo Kwing Yu, aged 60, holds a bachelor's degree in law and economics from the University of Keele, the United Kingdom. Mr. Lo is a solicitor and has been in private practice in Hong Kong since 1995. He was first admitted as a solicitor in England and Wales and then admitted as solicitor of the Supreme Court of Hong Kong and of the Eastern Caribbean Supreme Court in the Territory in the Virgin Islands. Mr. Lo is a partner of Messrs. Ho and Ip. Mr. Lo was appointed as an independent non-executive Director on 3 March 2014.

SENIOR MANAGEMENT

Mr. Sui Yaoxian, aged 53, graduated from Tongji University with a bachelor's degree in law in January 2008. Mr. Sui attained a master's degree with honours in business and administration from Concordia University Wisconsin in June 2013. Mr. Sui joined the Group in May 2009 and served as deputy general manager and general manager in Shanghai sites from 2009 to 2014. Afterwards, Mr. Sui joined various sweeteners related enterprise in the PRC as general manager and rejoined the Group as general manager of the Group's Shanghai production site. Mr. Sui has over 30 years of experience in management and production of sweeteners industry.

Mr. He Xiaoming, aged 50, is the deputy general manager and financial controller of the Group's Shanghai production site. Mr. He attained a bachelor's degree with honours in accountancy from Jiangxi University of Technology in 2016. He joined the Group in December 2000 and served as accounting supervisor in Shanghai Haocheng. Mr. He has over 30 years of experience in finance and accounting.

Mr. Chan Sing Fai, aged 40, is the financial controller and company secretary of the Company, and has over 15 years of experience in the related fields of finance, auditing, accounting and corporate governance practices. Mr. Chan graduated from the Hong Kong Polytechnic University with a bachelor's degree with honours in accountancy in 2007 and attained a master's degree in Corporate Governance from the Hong Kong Polytechnic University in 2015. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and an associate member of The Hong Kong Chartered Governance Institute. Mr. Chan has served the Group for over 11 years. He has also been serving as the company secretary and the financial controller of GBT since April 2018.

CORPORATE CULTURE

The Company is committed to ensuring high standards of corporate governance at all times and in all areas of its operations. The Board believes that good corporate governance is essential in enhancing the confidence of current and potential Shareholders, investors, employees, business partners and the community as a whole. As such, the Group is 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 ("**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 the 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, save for the deviation from code provision C.2.1 to part 2 of the CG Code that was in force during the Year, further details of which are set out in the section headed "Chairman and Chief Executive Officer" in page 28 of this report, the Company has applied and complied with all code provisions in part 2 of the CG Code during the Year.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out by the Model Code. Having made specific enquiry of each of the Directors, all the Directors have confirmed to the Company that they have complied with the required standards set out in the Model Code and the Company's code of conduct during the Year.

BOARD OF DIRECTORS

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

	Meetings held and attended by the Directors							
Name of Directors	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	CCT Executive Committee meeting (g)	CCT Supervisory Committee meeting (h)	Corporate Governance Committee meeting (i)	AGM
Executive Directors								
Wang Tieguang *(Joint chairman)* (a)	–							–
Kong Zhanpeng *(Joint chairman)* (b)	–		–	–			–	–
Wang Guicheng (c)	3/6		1/1	1/1			–	1/1
Tai Shubin (d)	6/6							1/1
Independent Non-executive Directors								
Fan Yeran (e)	6/6	3/3	1/1	1/1		–	–	1/1
Fong Wai Ho (f)	6/6	3/3				–	–	1/1
Lo Kwing Yu	6/6	3/3	1/1	1/1		–		1/1

Remarks:

(a) Mr. Wang Tieguang was appointed as an executive Director and the joint chairman of the Board on 28 December 2023.

(b) Mr. Kong Zhanpeng was appointed as an executive Director, the joint chairman of the Board, the chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Corporate Governance Committee on 28 December 2023.

(c) Mr. Wang Guicheng absented from three 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 three out of six board meetings during the Year. Mr. Wang ceased to be the chairman of the Board, the chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Corporate Governance Committee on 28 December 2023 and resigned as an executive Director on 17 January 2024.

(d) Mr. Tai Shubin was re-designated from an executive Director to a non-executive Director on 18 January 2024.

(e) Mr. Fan Yeran resigned as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee, a member of each of the Audit Committee, the Nomination Committee, the Corporate Governance Committee and the CCT Supervisory Committee on 18 January 2024.

(f) Mr. Fong Wai Ho resigned as an independent non-executive Director and ceased to be the chairman of each of the Audit Committee, the Corporate Governance Committee and the CCT Supervisory Committee on 18 January 2024.

(g) During the Year, members of the CCT Executive Committee are members of the senior management of the Group. The CCT Executive Committee was abolished with effect from 31 January 2024.

(h) No CCT Supervisory Committee meeting were held during the Year as no master agreements have been entered between the Group and GBT Group which are required to comply with the rules and guidelines set out by the CCT Supervisory Committee. The CCT Supervisory Committee was abolished with effect from 31 January 2024.

(i) The Corporate Governance Committee held a meeting on 19 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 20 to page 21 of this report. Ms. Li Guichen and Ms. Liu Ying were appointed as independent non-executive Directors on 18 January 2024. Both Ms. Li and Ms. Liu have obtained the legal advice as referred to in Rule 3.09D of the Listing Rules on 17 January 2024, and each of them has confirmed that she understood her obligations as a director of a listed issuer.

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

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

Recruitment process of independent non-executive Directors

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

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

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

Number of independent non-executive Directors

According to Rules 3.10 and 3.10A of the Listing Rules, the Board must: (1) include at least three independent non-executive Directors and at least one of the them must have appropriate professional qualifications or accounting or related financial management expertise; and (2) appoint independent non-executive Directors representing at least one-third of the Board. In compliance with the abovementioned Listing Rules, during the Year and as at the date of this report, the Board has three independent non-executive Directors, representing more than one-third of the Board. Mr. Fong Wai Ho, being an independent non-executive Director during the Year who resigned on 18 January 2024, is a member of the HKICPA, and Ms. Li Guichen, an independent non-executive Director appointed on 18 January 2024, is a member of the Chinese Institute of Certified Public Accountants. Both Mr. Fong and Ms. Li 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, one of the independent non-executive Directors has served for more than nine years in the Board. Mr. Lo Kwing Yu has been appointed as an independent non-executive Director since 3 March 2014 and has served more than nine years in the Board. The Board is of the opinion that Mr. Lo remains independent notwithstanding the length of his services and believes that his valuable experience, knowledge and expertise can enhance the operational efficiency and diversification of the Company and maintain the stability of the Board as a whole. In addition to the independence confirmation which has been received by the Board annually, the Board would regularly assess the independence of Mr. Lo, keeping in mind the changes in business environment and other challenges of the Group. Monthly interest disclosure report has been required from Mr. Lo to monitor his shareholding and interest in the Company so that Mr. Lo's independence would not be questioned under Rule 3.13 of the Listing Rules.

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 Company considers all independent non-executive Directors to be independent.

BOARD DIVERSITY

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

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

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

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

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

1) At least one 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;

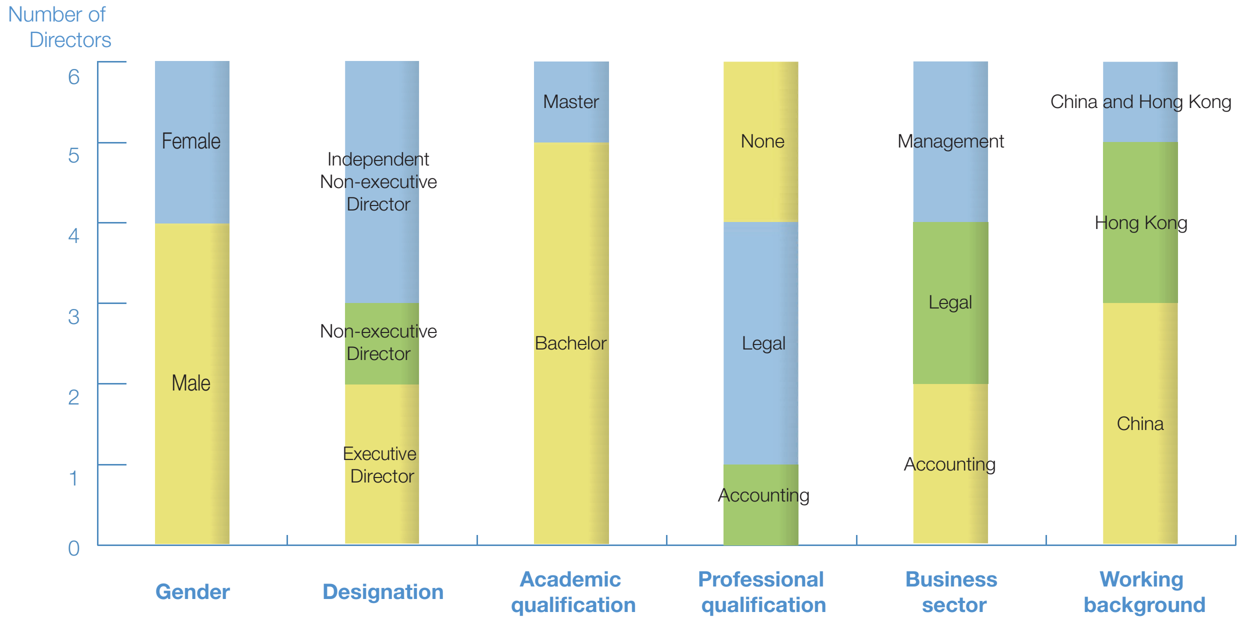
5) A prescribed proportion of members on the Board possessing experience in the industry he/she is specialised in; and

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

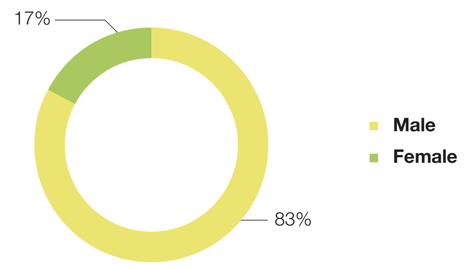
During the Year, the Group has achieved all of the above measurable objectives set for implementing the board diversity policy save for the objective to have at least one director of a different gender on the Board. The Board is aware that under the revised Rule 13.92 of the Listing Rules, a single gender board will not be considered to have achieved gender diversity, and the Group appointed two female members on the Board on 18 January 2024 to comply with all code provisions as set out in the CG Code.

The Company will continue to take gender diversity into consideration during recruitment so that there is a pipeline of potential successors to maintain gender diversity.

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, it is expected equality of gender ratio will be difficult to achieve within the Group. However, the Group will still strive to enhance gender diversity (in terms of gender ratio) across all levels of the workforce so far as reasonably practicable.

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

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

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

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

	Type of trainings	
	A	B
Executive Directors		
Wang Tieguang *(Appointed on 28 December 2023)*		✓
Kong Zhanpeng *(Appointed on 28 December 2023)*		✓
Wang Guicheng *(Resigned on 17 January 2024)*		✓
Tai Shubin *(Re-designated from an executive Director to a non-executive Director on 18 January 2024)*		✓
Independent non-executive Directors		
Fan Yeran *(Resigned on 18 January 2024)*		✓
Fong Wai Ho *(Resigned on 18 January 2024)*	✓	✓
Lo Kwing Yu		✓

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Guicheng assumed the dual roles of the chief operating officer (the "**COO**"), being responsible for overseeing the operation management and product development of the Group, and the chairman of the Board since 31 October 2022 and up to 28 December 2023. The Board believed that having the same individual in both roles allows the Company to ensure effective implementation in consistent with the overall strategy of the Company. At the same time, since all major decisions of the Company were discussed by the Board, the Board committees and the senior management of the Company, the Board was of the view that the appointment of Mr. Wang Guicheng as both the COO and the chairman of the Board would not compromise the balance of power and authority and was in the interest of the Shareholders as a whole.

Following the resignation of Mr. Wang Guicheng as an executive Director and the appointment of Mr. Wang Tieguang and Mr. Kong Zhanpeng as executive Directors and the joint chairmen of the Board on 28 December 2023, each of Mr. Wang Tieguang and Mr. Kong Zhanpeng is the joint chairman of the Company and the roles of the Mr. Wang Tieguang and Mr. Kong Zhanpeng are clearly defined and segregated. Mr. Kong Zhanpeng will primarily focus on the daily operations and be responsible for overseeing the operation management of the Group. Mr. Wang Tieguang will primarily focus on customer development and the development of products of the Group. The Board believes that the establishment of joint chairmanship structure of the Board and the separation of the roles and responsibilities between Mr. Kong Zhanpeng and Mr. Wang Tieguang can enhance the Company's corporate governance. The Board will review the effectiveness of this joint chairmanship structure from time to time.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu have been appointed for an initial term of two years. With effect from 18 January 2024, Mr. Fan Yeran and Mr. Fong Wai Ho have resigned as independent non-executive Directors and Ms. Li Guichen and Ms. Liu Ying were appointed as the independent non-executive Directors for an initial term of two years. With effect from 18 January 2024, Mr. Tai Shubin was re-designated as a non-executive Director for an initial term of one year. The terms of the non-executive Director and the independent non-executive Directors are renewable automatically for a successive term of one year each commencing from the next day after the expiry of the then current terms of appointments, unless terminated by not less than three months' notice in writing served by either party at any time during the then existing term.

DIRECTORS' AND OFFICER'S LIABILITY INSURANCE AND INDEMNITY

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

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

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

	2023 HK$'000	2022 HK$'000
Fees	599	592
Other emoluments:		
Salaries, allowances and benefits in kind	–	–
Pension scheme contributions	–	–
	599	592

(a) Independent non-executive Directors

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

	2023 HK$'000	2022 HK$'000
Fan Yeran (a)	107	112
Fong Wai Ho (b)	240	240
Lo Kwing Yu	240	240
	587	592

Remarks:

(a) Mr. Fan Yeran resigned as an independent non-executive Director on 18 January 2024.

(b) Mr. Fong Wai Ho resigned as an independent non-executive Director on 18 January 2024.

There were no other emoluments paid or payable to the independent non-executive Directors during the Year (2022: Nil).

(b) Executive Directors

The amount of remuneration paid to the executive Directors during the Year were as follows:

	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Payment in lieu of notice HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2023					
Wang Tieguang (a)	6	–	–	–	6
Kong Zhanpeng (a)	6	–	–	–	6
Wang Guicheng (b) and (c)	–	–	–	–	–
Tai Shubin (b) and (d)	–	–	–	–	–
	12	–	–	–	12
2022					
Wang Guicheng (b) and (c)	–	–	–	–	–
Tai Shubin (b)	–	–	–	–	–
Zhang Zihua (b) and (e)	–	–	–	–	–
	–	–	–	–	–

Remarks:

(a) Mr. Wang Tieguang and Mr. Kong Zhanpeng were appointed as executive Directors on 28 December 2023.

(b) According to the Director's service contracts entered into between the Company and each of Mr. Wang Guicheng, Mr. Tai Shubin and Mr. Zhang Zihua, these executive Directors are not entitled to any salaries, allowances, performance bonuses, pension scheme contribution and any benefits in kind.

(c) Mr. Wang Guicheng was appointed as executive Director on 31 October 2022 and resigned as an executive Director on 17 January 2024.

(d) Mr. Tai Shubin was re-designated from an executive Director to a non-executive Director on 18 January 2024.

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

(c) Senior management

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

	2023 Number of individuals
Nil to HK$1,000,000	3

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

ACCOUNTABILITY AND AUDIT

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

The Directors are responsible for overseeing the preparation of financial statements of each financial year. In preparing the financial statements for the Year, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all applicable Hong Kong Financial Reporting Standards in effect, made judgments and estimates that are appropriate, and prepared the financial statements on a going concern basis. While the Auditor has included in their report a paragraph in relation to material uncertainty related to going concern, the management is of the view that the Group will be able to continue its operation in foreseeable future for the following reasons:

ACCOUNTABILITY AND AUDIT *(continued)*

(1) Facilitating the CB Completion to improve the Group's operating cash flow

Reference is made to the joint announcement of the Company, GBT and the New Controlling Shareholders dated 6 April 2023 in relation to, among others, the CB Subscription Agreement entered into between the Company and the New Controlling Shareholders, pursuant to which the Company has conditionally agreed to issue, and the New Controlling Shareholders have conditionally agreed to subscribe for, the 3 year, 5 per cent Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK$138.0 million), which may be converted into a total of 1,380,000,000 new ordinary share(s) of HK$0.1 each to be allotted and issued by the Company pursuant to the exercise of the conversion right attached to the Convertible Bonds at an initial Conversion Price, subject to the adjustment pursuant to the terms and conditions of the Convertible Bonds. Reference is also made to the announcement of the Company dated 4 January 2024 in relation to, among others, the change in use of proceeds from the issue of Convertible Bonds. The Directors have resolved to use the proceeds from the issue of the Convertible Bonds of RMB60.0 million for the repayment to the relevant creditors of the Group and the remaining RMB60.0 million for the preparation for the resumption of Jinzhou production facilities in order to improve the Group's operating cash flow.

Reference is made to the Company's announcement dated 20 March 2024, as additional time is required for the New Controlling Shareholders to complete the relevant administrative procedures in relation to the CB Subscription, the Company and the New Controlling Shareholders had agreed in writing on 20 March 2024, to extend the CB First Completion Date to 30 June 2024 or such other date as may be further agreed by them. Pursuant to the CB Subscription Agreement, the completion of the issuance of the remaining Convertible Bonds of RMB60.0 million will fall on a business day on or within six calendar months from the CB First Completion Date as notified by the Company to the New Controlling Shareholders, by not less than one month's written notice, or such other date as the Company and the New Controlling Shareholders shall agree in writing. The CB Completion is yet to take place as at the date of this report. The Directors are of the view that the financial position of the Group will improve upon CB Completion.

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

The Group has taken various measures to minimise the operating cost and develop new product 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 the Shanghai site and launched a series of high value-added products to expand the marketing sales.

(3) Financial supports from the New Controlling Shareholders

The Group has received a written confirmation dated 7 March 2024 from the New Controlling Shareholders that they would provide financial support to the Group in the following 12 months on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group.

ACCOUNTABILITY AND AUDIT *(continued)*

(3) Financial supports from the New Controlling Shareholders *(continued)*

As at 31 December 2023, the Group's current liabilities due to the associates of the New Controlling Shareholders amounted to approximately HK$78.8 million and the New Controlling Shareholders agreed that repayment request will not be made while the financial situation of the Group does not allow. In addition, the management of the Company is of the view that the New Controlling Shareholders would be able to support the operations of the Group by providing a stable corn starch and corn syrup supply to the Group with better commercial terms pursuant to the Master Purchase Agreements, for the supply and purchase of corn starch and sugar syrup which became effective on 1 January 2023. Each of Ruihao (Guangzhou) and DDT Supply Chain is an associate of the New Controlling Shareholders.

(4) Facilitated the debts restructuring on the Yuancheng CCB Loans and active negotiations with banks to obtain adequate banking facilities

On 28 December 2023, (i) Jilin Cinda, as creditor, (ii) Jinzhou Yuancheng as debtor, and (iii) Shanghai Haocheng, as guarantor, entered into the Debt Restructuring Agreement, pursuant to which the Group has agreed to repay to Jilin Cinda the Settlement Amount within 30 days from the date of the Debt Restructuring Agreement (i.e. on or before 26 January 2024) for the settlement of the Yuancheng CCB Loans. The Group had transferred a total of RMB88.0 million to Jilin Cinda for the purpose of the settlement of the Yuancheng CCB Loans and upon receipt of the Settlement Amount by Jilin Cinda in January 2024, all repayment obligations of the Group under the Debt Restructuring Agreement were considered fulfilled and the Group no longer has the obligations to settle the remaining balance of the Yuancheng CCB Loans, as such, the financial position of the Group improved significantly as at the date of this report.

Following the fulfillment of the Group's repayment obligation under the Yuancheng CCB Loans, the debts financing capacity of the Group resumed, the management of the Group has been actively negotiating with the banks in the PRC to obtain new banking facilities to meet the Group's capital requirements. Pursuant to the letter of intents given by 南洋商業銀行(中國)有限公司上海分行 (Nanyang Commercial Bank (China), Limited Shanghai Branch) ("**Shanghai Nanyang**") and 上海閔行上銀村鎮銀行股份有限公司 (Shanghai Minhang BOS Rural Bank) ("**BOS Rural Bank**") on 21 March 2024, Shanghai Nanyang and BOS Rural Bank granted loans in the aggregate amount of RMB70.0 million to Shanghai Haocheng. The Directors believe that the new banking facilities could further improve the financial position and liquidity of the Group. Meanwhile, the management of the Group endeavoured to negotiate with Tiebei BOJ for renewal of the loans from Tiebei BOJ to Jinzhou Yuancheng with the aggregate principal amount of RMB212.5 million. Tiebei BOJ preliminary concurs the renewal requests of the Group and such proposal is under the internal process and discussion of Tiebei BOJ. The management of the Group believes that the positive results of the internal discussion will be given by Tiebei BOJ in the second half of 2024.

MANAGEMENT FUNCTIONS

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

BOARD COMMITTEES

In compliance with the CG Code, the Company has set up the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee with clearly defined written terms of reference adopted in compliance with the CG Code. The Company has also set up the CCT Executive Committee and the CCT Supervisory Committee, which were abolished with effect from 31 January 2024, to monitor the continuing connected transactions between the Group and the GBT Group.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control systems. The Audit Committee comprises all three independent non-executive Directors. As at the date of this report, the members of the Audit Committee are Ms. Li Guichen (chairman of the Audit Committee), Ms. Liu Ying and Mr. Lo Kwing Yu.

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

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

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

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

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

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

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

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

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

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

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

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

NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises one executive Director, Mr. Kong Zhanpeng (chairman of the Nomination Committee), and two independent non-executive Directors, being Ms. Liu Ying and Mr. Lo Kwing Yu. The Nomination Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

The duties of the Nomination Committee are, among others, determining policy for the nomination of the Directors, including the nomination procedures, processes and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the Year. The Nomination Committee also reviews the structure, size and composition of the Board, evaluates the nomination policy, assesses the independence of the independent non-executive Directors and makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company. For more information on the Company's policy on board diversity, please refer to the section headed "Board diversity" on page 26 to page 28 of this report.

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

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

1. Succession planning of the Directors;

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

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

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

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

6. Character and integrity;

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

8. The Board's diversity in all aspects as mentioned in page 26 to page 28 of this report.

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

REMUNERATION COMMITTEE

As at the date of this report, the members of the Remuneration Committee include one executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, being Ms. Liu Ying (chairman of the Remuneration Committee) and Ms. Li Guichen. The Remuneration Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

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

The Remuneration Committee held 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. Kong Zhanpeng and two independent non-executive Directors, being Ms. Li Guichen (chairman of the Corporate Governance Committee) and Ms. Liu Ying. The Corporate Governance Committee operates pursuant to written terms of reference which are available on the websites of the Stock Exchange and the Company.

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

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

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

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

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

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

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

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

CCT EXECUTIVE COMMITTEE

The CCT Executive Committee was responsible for monitoring, reviewing and managing the continuing connected transactions (the "**CCT**") between the Group on one part and the GBT Group on the other part. The CCT Executive Committee operated pursuant to written terms of reference.

The main duties of the CCT Executive Committee were to prepare the CCT reports and submitted the same to the CCT Supervisory Committee on regular basis. During the Year, the members of the CCT Executive Committee were Mr. Meng Xiangyan (resigned on 31 December 2023) and Mr. He Xiaoming, both being the senior management of the Group. Biographical details of the senior management of the Group are set out on page 21 of this report.

Immediately upon GSH Completion, GBT and Global Corn Bio-Chem are no longer controlling Shareholders and the CCT Executive Committee, which was established to, among other matters, monitor the CCT between the Group and the GBT Group is no longer required. The Board has therefore abolished the CCT Executive Committee with effect from 31 January 2024.

CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee that comprised all three independent non-executive Directors was established by the Board to supervise the CCT Executive Committee. The CCT Supervisory Committee operated pursuant to written terms of reference. The main responsibilities of the CCT Supervisory Committee were to devise and revise detailed rules and guidelines from time to time for the CCT Executive Committee to follow review on a quarterly basis the quarterly reports (the "**CCT Quarterly Reports**") submitted by the CCT Executive Committee and report its findings on review of the CCT Quarterly Reports to the Board and give recommendations to the Board.

Immediately upon GSH Completion, GBT and Global Corn Bio-Chem are no longer controlling Shareholders and the CCT Executive Committee, which was established to, among other matters, monitor the CCT between the Group and the GBT Group is no longer required. The Board has therefore abolished the CCT Supervisory Committee with effect from 31 January 2024.

AUDITOR'S REMUNERATION

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

During the Year, service fees for the review of interim report and circulars amounted to HK$546,000 was paid as professional fee to Mazars CPA Limited for the provision of non-audit related services to the Group.

The statement about the Auditor's reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on page 57 of this report.

COMPANY SECRETARY

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

INVESTOR RELATIONS

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

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

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

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

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

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

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

As of 31 December 2023, details of the Shareholders by type and aggregate shareholding are as follow:

	Number of Shares held	**Percentage of shareholding**	**Market capitalisation** (HK$ million)
Wang Tieguang	402,246,500	26.33	37.01
Kong Zhanpeng	358,982,500	23.50	33.03
GBT Group	260,313,000	17.04	23.95
Public float in Hong Kong	506,044,000	33.13	46.55
Total	1,527,586,000	100.00	140.54

The 2023 AGM was held on 25 May 2023 to approve the 2022 audited consolidated financial statements, grant of the new issue mandate, the repurchase mandate and 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.

An EGM in relation to the approval of (i) the Dihao SPAs dated 6 April 2023 entered into between Dihao Vendor A, Dihao Vendor B and Dihao Vendor C, and Dihao Purchaser for the acquisition of the entire registered capital of Dihao Foodstuff and Dihao Crystal Sugar; (ii) the GSH Counter-guarantee Deed pursuant to which the Company will, among others, provide the counter-guarantee and indemnity to GBT and Dihao Foodstuff to be executed by the Company, GBT and Dihao Foodstuff; and (iii) the CB Subscription Agreement entered into between the Joint Offerors and the Company in respect of the Convertible Bonds to be issued upon and subject to the terms and conditions as set out therein was held on 20 June 2023. 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 in paragraph 1, it is the Directors' present intention to recommend annual distribution to the Shareholders of not less than 15% of the annual profits attributable to equity holders of the Company as dividends in the foreseeable future.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

Group risk management

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

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

The Company established its 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; and
- business/supply interruption leading to severe impact on the community, and severe environmental incidents.

The internal control department assists the management to establish the risk management systems with reference to the COSO (Committee of Sponsoring Organisations 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. Such key risks and controls are continually reviewed and updated on an annual basis. High-risk key controls are tested annually by the management and internal audit team. Based on the results of those tests, process owners are able to present to the senior management that their internal controls are working as intended or that necessary corrections have been made where control weaknesses have been found. Internal audit team reports to the senior management and the Audit Committee that the internal controls have been working properly or that changes have been made to ensure the integrity of the financial statements. The Auditor also understands the key controls to the extent that they will be relied on for the audit. During the Year, the Board has identified a number of risks and uncertainties for the Group to deal with:

Principal risks and uncertainties

Risk description	Changes in 2023	Key risk mitigations
Financial Risks:		
Liquidity risk of inadequate funding	Introduction of the New Controlling Shareholders	Supported by the New Controlling Shareholders for providing fund to resume more production facilities to improve the operating cash flow
Inability to renew the bank borrowings on time	Debt Restructuring Agreement has been reached between the respective parties for certain long outstanding loans	Raise funds to repay overdue borrowings through execution of the debt restructuring plan of the Group
Compliance Risk:		
Default of repayment of loan agreement(s)	Debt Restructuring Agreement has been reached between the respective parties for certain defaulted loans	Raise funds to repay overdue borrowings through execution of the debt restructuring plan of the Group
Strategic Risk:		
Market competition	Intense competition in domestic and export markets of the downstream products	Continuous research and development efforts to improve efficiency and introduce new products
Operation Risk:		
Ageing production facilities	Higher production cost with aged production facilities	Production facilities upgrade to improve production efficiency and product mix to cope with market changes

Internal control

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

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

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

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

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

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

Internal audit department

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

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

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

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

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

Inside information

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

CONSTITUTIONAL DOCUMENT

The Company has amended the Memorandum and Articles of Association by way of a special resolution passed on 25 May 2023 during the Year to (i) allow a general meeting to be held as an electronic meeting or a hybrid meeting; (ii) bring the Memorandum and Articles of Association in line with amendments made to the Listing Rules and applicable laws and procedures of the Cayman Islands; (iii) make other housekeeping amendments to clarify certain provisions of the Memorandum and Articles of Association; and (iv) to make other amendments to update or modify provisions and/or defined term(s) where the Board considers appropriate in accordance with or to better align with the wordings in the applicable laws of Cayman Islands and the Listing Rules. The Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

1. Procedures for the Shareholders to convene an EGM

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

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

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

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

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

2. Procedures for raising enquiries

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

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

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in the manufacture and sale of corn refined products and corn sweeteners. Details of the principal activities of the principal subsidiaries are set out in note 32 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 19 of this report, respectively. In addition, discussions on the Group's environmental policies and performance, are provided in the ESG Report.

The principal risks and uncertainties are disclosed in Corporate Governance Report under section headed "Risk management and internal control" on page 40 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 18 of this report. An indication of likely future development of the Group is disclosed in Management Discussion and Analysis under section headed "Future plans and prospects" on page 18 of this report.

RESULTS AND DIVIDENDS

The Group's profit for the Year and the financial position of the Company and the Group at that date are set out in the consolidated financial statements on page 62 to page 139 of this report.

The Board has resolved not to recommend the payment of any dividend for the Year (2022: Nil). The Company adopts a dividend policy which is set out on page 40 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 140 of this report. This summary does not form part of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 33(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company does not have reserves available for distribution, calculated in accordance with the provisions of the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the "**Companies Act**") of the Cayman Islands. Under the Companies Act, the share premium account of the Company of approximately HK$1,074,879,000 as at 31 December 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 account 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 accounted for approximately 42.9% of the total sales for the Year, and sales to the largest customer included therein accounted for approximately 16.3% of the total sales of the Year. Purchases from the Group's five largest suppliers accounted for approximately 85.3% of the total purchases for the Year, and purchases from the largest supplier included therein accounted for approximately 37.9% of the total purchases of the Year.

Save for Mr. Wang Tieguang and Mr. Kong Zhanpeng, both as executive Directors and substantial Shareholders, had material beneficial interest in the Group's five largest suppliers, namely, Ruihao (Guangzhou) and DDT Supply Chain, as detailed in the section headed "Continuing Connected Transactions" on page 53 to page 54 of this report, 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 Shareholders. The Group is committed to fostering business developments for achieving the sustainable growth.

DIRECTORS

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

Executive Directors:

Wang Tieguang	*(Appointed on 28 December 2023)*
Kong Zhanpeng	*(Appointed on 28 December 2023)*
Wang Guicheng	*(Resigned on 17 January 2024)*

Non-executive Director:

Tai Shubin	*(Re-designated from an executive Director to a non-executive Director on 18 January 2024)*

Independent non-executive Directors:

Li Guichen	*(Appointed on 18 January 2024)*
Liu Ying	*(Appointed on 18 January 2024)*
Lo Kwing Yu	
Fan Yeran	*(Resigned on 18 January 2024)*
Fong Wai Ho	*(Resigned on 18 January 2024)*

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. Tai Shubin, being a non-executive Director, and Mr. Lo Kwing Yu, being an independent non-executive Director, will retire as Directors and, being eligible, will offer themselves for re-election as Directors at the AGM.

In addition, pursuant to article 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 Tieguang and Mr. Kong Zhanpeng, being executive Directors, and Ms. Li Guichen and Ms. Liu Ying, being independent non-executive Directors, all of which were appointed during/subsequent to the Year will end at the AGM. Mr. Wang Tieguang, Mr. Kong Zhanpeng, Ms. Li Guichen and Ms. Liu Ying being eligible, will offer themselves for re-election as Directors at the AGM.

The Company has received annual confirmations from each of Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu of their independence pursuant to Rule 3.13 of the Listing Rules during the Year. On 18 January 2024, Mr. Fan Yeran and Mr. Fong Wai Ho ceased to be independent non-executive Directors and Ms. Li Guichen and Ms. Liu Ying were appointed as independent non-executive Directors. The Company has also received confirmation from each of Ms. Li Guichen and Ms. Liu Ying of their independence upon their appointment on 18 January 2024. As at the date of this report, the Company considers all independent non-executive Directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 20 to page 21 of this report.

DIRECTORS' SERVICE CONTRACTS

The executive Directors, Mr. Wang Tieguang and Mr. Kong Zhanpeng have each entered into service contracts with the Company for an initial term of one year which commenced on 28 December 2023, respectively, which are renewable automatically for successive term of one year. Each of the above service contracts may be terminated by either party by giving not less than three months' written notice.

Mr. Tai Shubin had entered into a service contract with the Company for an initial term of one year as an executive Director which commenced on 17 December 2020, which was renewable automatically for successive term of one year. Mr. Tai Shubin has been re-designated as a non-executive Director and has entered into an appointment letter with the Company for an initial term of one year which commenced on 18 January 2024, which is renewable automatically for successive term of one year. The above appointment letter may be terminated by either party by giving not less than three months' written notice.

The independent non-executive Directors, Ms. Li Guichen, Ms. Liu Ying and Mr. Lo Kwing Yu have each entered into appointment letters with the Company for an initial term of two years which commenced on 18 January 2024, 18 January 2024 and 3 March 2014, respectively, and are renewable automatically for successive term of one year. Each of the above appointment letters may be terminated by either party by giving not less than three months' written notice.

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

– Mr. Wang Guicheng, as the executive Director during the Year, the chairman of the Board and the executive director of GBT, had interest in the CB Subscription Agreement, the Dihao SPAs and the GSH 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 17 to page 18 of this report.

– Mr. Kong Zhanpeng and Mr. Wang Tieguang, each being an executive Director, the New Controlling Shareholders, the subscribers under the CB Subscription Agreement and the ultimate beneficial owners of Ruihao (Guangzhou) and DDT Supply Chain, have interest in the CB Subscription Agreement and the Master Purchase Agreements. For further details in respect of the aforementioned agreements, please refer to the section headed "Management Discussion and Analysis – Important Transactions during the Year" and the section headed "Continuing Connected Transactions" on page 17 to page 18 and page 53 to page 54 respectively, of this report.

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

PERMITTED INDEMNITY PROVISIONS

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

MANAGEMENT CONTRACTS

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

CONTRACT OF SIGNIFICANCE

Save as (i) the Master Purchase Agreements entered into between the associate of the New Controlling Shareholders and Shanghai Haocheng, details of which are disclosed in the section headed "Continuing Connected Transactions" on page 53 to page 54 of this report; and (ii) the CB Subscription Agreement entered into between the Company (as issuer) and the New Controlling Shareholders (as subscribers of the Convertible Bonds), details of which are disclosed in the section headed "Fundraising Activities — The CB Subscription" on page 55 to page 56 of this report, there was no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries during the Year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, the interests and short positions in the Share, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) of the Directors and chief executive of the Company as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	**Capacity/ Nature of interest**	**Number and class of securities of the Company held** (a)	**Percentage of the relevant class of issued share capital of the Company**
Wang Tieguang *(appointed on 28 December 2023)*	Beneficial owner	402,246,500 Shares (L)	26.33
	Interest of a controlled corporation	16,444,000 Shares (L) (b)	1.08
Kong Zhanpeng *(appointed on 28 December 2023)*	Beneficial owner	358,982,500 Shares (L)	23.50
Wang Guicheng *(resigned on 17 January 2024)*	Beneficial owner	300,000 Shares (L)	0.02

Remarks:

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

(b) These Shares are registered in the name of Rick Mark Profits Limited, which is ultimately wholly-owned by Mr. Wang Tieguang.

Save as disclosed above, as at 31 December 2023, none of the Directors and the chief executive of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares held (a)	Percentage of the Company's issued share capital
Global Corn Bio-Chem	Beneficial owner	259,813,000 Shares (L)	17.01
GBT	Interest of a controlled corporation (b)	259,813,000 Shares (L)	17.01
	Beneficial owner	500,000 Shares (L)	0.03
Modern Agricultural	Interest of a controlled corporation (c)	260,313,000 Shares (L)	17.04
Modern Agricultural Holdings	Interest of a controlled corporation (c)	260,313,000 Shares (L)	17.04
PRC LLP	Interest of a controlled corporation (c)	260,313,000 Shares (L)	17.04
GP	Interest of a controlled corporation (c)	260,313,000 Shares (L)	17.04
Nongtou	Interest of a controlled corporation (c)	260,313,000 Shares (L)	17.04
Jilin SASAC	Interest of a controlled corporation (c)	260,313,000 Shares (L)	17.04

Remarks:

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

(b) These Shares are registered in the name of Global Corn Bio-Chem, which is a wholly-owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the Shares in which Global Corn Bio-Chem is interested according to the SFO. Mr. Wang Guicheng, an executive Director during the Year, is an executive director of GBT.

(c) These Shares comprised 259,813,000 Shares registered in the name of Global Corn Bio-Chem and 500,000 Shares registered in the name of GBT, whose issued share capital is beneficially owned as to approximately 35.2% by Modern Agricultural as at the date of this report. The entire issued capital of Modern Agricultural is held by Modern Agricultural Holdings which is in turn wholly-owned by PRC LLP. The sole general partner of PRC LLP is GP. As at the date of this report, the investment capital of PRC LLP is owned as to 60.0% by Nongtou (Nongtou is controlled by Jilin SASAC), as to 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.*) and as to 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.*). Accordingly, each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the Shares held by GBT under the SFO.

Saved as disclosed above, as at 31 December 2023, the Directors are not aware of any persons who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Master Purchase Agreements, Shanghai Haocheng, as purchaser, agrees to purchase, and each of Ruihao (Guangzhou) and DDT Supply Chain, as supplier, agrees to supply to Shanghai Haocheng 240,000 MT of corn starch and 50,000 MT of sugar syrup respectively. The Master Purchase Agreements became effective on 1 January 2023 and shall expire on 31 December 2024. Shanghai Haocheng shall enter into purchase contracts with each of Ruihao (Guangzhou) and DDT Supply Chain from time to time during the terms of the Master Purchase Agreements for the purpose of confirming the purchase by Shanghai Haocheng as well as the unit prices of corn starch and sugar syrup. The unit prices of the corn starch and sugar syrup shall be determined based on the prevailing market price, and parties to the Master Purchase Agreements shall, before the 25th of each calendar month, determine the unit price(s) of the products to be delivered in the upcoming one or three months.

Ruihao (Guangzhou) is ultimately owned as to 65% by Mr. Kong Zhanpeng, and 35% by Mr. Wang Tieguang, whereas DDT Supply Chain is owned as to 51% by Mr. Wang Tieguang, and his family member and 49% by Mr. Kong Zhanpeng's family member and relative. Therefore Ruihao (Guangzhou) is an associate of Mr. Kong and DDT Supply Chain is an associate of Mr. Wang and both are connected persons of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Master Purchase Agreements became continuing connected transactions of the Company following the GSH Completion. Pursuant to Rule 14A.60(1) of the Listing Rules, the Master Purchase Agreements are subject to the annual review and disclosure requirements (including publishing an announcement and annual reporting) if the Group continues to conduct the transactions contemplated under the Master Purchase Agreements.

Since 21 December 2023 (i.e. the date of GSH Completion), Shanghai Haocheng purchased an aggregate of 4,050 MT (amounted to approximately HK$13.5 million) of corn starch from DDT Supply Chain and 2,422 MT (amounted to approximately HK$7.1 million) of sugar syrup from Ruihao (Guangzhou), respectively.

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

Save for the aforementioned continuing connected transactions, the other related party transactions disclosed in note 29 to the consolidated financial statements also constituted connected/continuing connected transactions of the Company under Chapter 14A of the Listing Rules and such transactions are fully exempt from the Shareholder's approval, annual review and all disclosure requirements under Chapter 14A of Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

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

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

As disclosed in the announcement of the Company dated 4 January 2024, on 28 December 2023, (i) Jilin Cinda, as creditor, (ii) Jinzhou Yuancheng, as debtor, and (iii) Shanghai Haocheng, as guarantor, entered into the Debt Restructuring Agreement, pursuant to which the Group has agreed to repay to Jilin Cinda the Settlement Amount within 30 days from the date of the Debt Restructuring Agreement (i.e. on or before 26 January 2024) for the settlement of the Yuancheng CCB Loans. Upon the repayment of the Settlement Amount, the remaining balance of the loan amount and interest under the Yuancheng CCB Loans will be waived. The Group had transferred a total of RMB88.0 million to Jilin Cinda for the purpose of the settlement and all repayment obligations of the Group under the Debt Restructuring Agreement were fulfilled as at the date of this report. For further details, please refer to the paragraph headed "Important events affecting the Group subsequent to the Year under review – Debts restructuring on the Yuancheng CCB Loans" in this report.

(2) Reference is made to the joint announcement of the Company and GBT dated 23 December 2020 regarding the Group's default in repayment of loans under a loan agreement entered into between Dihao Foodstuff and Nongan Branch ABC with outstanding principal amount of RMB180.0 million, together with respective outstanding interest. The maximum liability guaranteed by the Company is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreement. Dihao Foodstuff and Dihao Crystal Sugar have provided collaterals to secure such loan.

As further disclosed in the joint announcement of the Company and GBT dated 23 December 2020 and the announcement of the Company dated 24 July 2023, pursuant to the transfer agreement entered into between Jilin Branch ABC and Jilin Cinda, Jilin Branch ABC (acting on behalf of Nongan Branch ABC) has agreed to sell to Jilin Cinda, and Jilin Cinda has agreed to purchase, all of its rights and benefits of the loans owed by, among others, the Group, the GBT Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*), an independent third party to the Group, with an aggregate outstanding principal amount of approximately RMB1,400.0 million and aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") at a consideration of approximately RMB414.7 million. The ABC Transferred Loans include, among others, the loan owed by Dihao Foodstuff with the principal amount of RMB180.0 million.

Upon the Dihao Completion, all the liabilities of Dihao Companies, including but not limited to, all repayment obligations under the ABC Transferred Loans have been transferred to the GBT Group and the Group will no longer have the obligations to settle the balance of the ABC Transferred Loans.

(3) As detailed in the joint announcement of the Company and GBT 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, 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 (the obligations and liabilities under which shall be counter-guaranteed and indemnified under the GSH Counter-guarantee). As at the date of this report, the outstanding principal amount under the Tiebei BOJ Loans is RMB212.5 million. The Group is currently in negotiation with Tiebei BOJ in respect of the renewal of the Tiebei BOJ Loans.

FUNDRAISING ACTIVITIES

The CB Subscription

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

Pursuant to the Debt Restructuring Agreement, the Company is required to fulfill its repayment obligation within the scheduled time. As the CB First Completion had yet to take place on or before the latest date of settlement as stipulated under the Debt Restructuring Agreement, the Company had transferred a total of RMB88.0 million to Jilin Cinda for the purpose of the repayment of the Settlement Amount by internal resources from the rescheduling of the repayment of the Group's account payables and obtaining borrowings from an independent third party.

As all the repayment obligations under the Debt Restructuring Agreement were fulfilled, and the CB First Completion has yet to take place, the Directors have resolved to change the use of the proceeds from the issue of the Convertible Bonds of RMB60.0 million for the repayment to the relevant creditors of the Group and the independent third party lender in respect of the loan provided, instead of for the direct settlement of the Yuancheng CCB Loans. The usage of the remaining net proceeds of RMB60.0 million from the issue of the Convertible Bonds will remain unchanged and for the preparation for the resumption of the Group's Jinzhou production facilities, such as the expenses in relation to trial run and the procurement of raw materials. For further details in respect of the above change in use of proceeds, please refer to the announcement of the Company dated 4 January 2024.

The Directors consider that the issue of the Convertible Bonds would allow the Company to secure funding for the repayment of relevant creditors and to enhance the working capital portion of the Company for better preparation for the resumption of production operations of the production bases of the Group in Jinzhou. The issue of the Convertible Bonds is considered to be an appropriate means of capital raising for the Company as such issue will not have an immediate dilution effect on the shareholding of the existing Shareholders.

As at the date of this report, all the conditions precedent under the CB Subscription Agreement in respect of CB First Completion (other than conditions precedent that are stipulated to be fulfilled on the date of CB First Completion) (the "**CB Conditions Precedent**") were fulfilled or waived (as the case may be), and the date of completion of the issuance of the Convertible Bonds in the aggregate principal amount of RMB60.0 million by the Company is expected to take place on the 60th Business Day following the date on which the CB Conditions Precedent are fulfilled or waived (as the case may be), or such other date as the Company and the Joint Offerors, as subscribers, shall agree in writing. As detailed in the Company's announcement dated 20 March 2024, the Company and the Joint Offerors have agreed, in writing, to extend the CB First Completion Date. It is currently expected that the CB First Completion Date shall fall on 30 June 2024.

AUDITOR

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

ON BEHALF OF THE BOARD

Wang Tieguang
Joint chairman

Hong Kong
28 March 2024

mazars

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

OPINION

We have audited the consolidated financial statements of Global Sweeteners Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on page 62 to page 139, 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 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$734.3 million and HK$381.9 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 of the Company, 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 of the Company 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

Fair value of leasehold buildings and impairment assessment of plant and machinery

Refer to notes 2.5 and 13 to the consolidated financial statements

The Group's leasehold buildings with carrying amount of HK$240,093,000 at 31 December 2023 were carried at fair value. During the year, the Group has appointed an independent professional qualified valuer to assess the fair values of the Group's leasehold buildings and a gain on properties revaluation of approximately HK$31,178,000 (before deferred tax) was recognised in other comprehensive income and credited to properties revaluation reserve during the year ended 31 December 2023.

As at 31 December 2023, the carrying amounts of plant and machinery amounted to HK$70,867,000 and an impairment loss of HK$18,229,000 had been provided during the year ended 31 December 2023.

Management has performed an impairment assessment in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". The Group engaged another independent professional qualified valuer to assess the recoverable amounts of the plant and machinery, which involved value in use calculations and fair value less costs of disposal calculations using market approach.

Significant estimation and judgement are applied by management to determine the fair value of the leasehold buildings and recoverable amounts of plant and machinery, including the determination of valuation techniques and the selection of different inputs in the models. Therefore, it is considered as a key audit matter.

How the matter was addressed in our audit

Our key procedures, among others, included:

– Assessing the appropriateness of valuation methodology in estimating the fair values of the leasehold buildings and recoverable amounts of plant and machinery;

– Assessing the appropriateness of the work of the valuers by making enquiries on the bases of valuation and obtaining corroborative evidence on the input data;

– Engaging auditor's expert to assist us in assessing the reasonableness of assumptions and judgements used by management and the valuers; and

– Assessing the competence, capabilities and objectivity of the valuers appointed by the management and the auditor's expert.

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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee 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 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, 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	440,813	359,567
Cost of sales		(404,195)	(332,300)
Gross profit		36,618	27,267
Other income and gains	5	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	7	(42,442)	(41,040)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(144,187)	(148,838)
Income tax credit	10	4,367	7,431
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(139,820)	(141,407)
DISCONTINUED OPERATIONS			
PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS	28(a)	429,336	(71,084)
PROFIT (LOSS) FOR THE YEAR		289,516	(212,491)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Release of exchange reserve upon disposal of subsidiaries	28(b)	(60,752)	–
Exchange differences on translation of financial statements of operations outside Hong Kong		46,965	32,099
		(13,787)	32,099
Items that will not be reclassified subsequently to profit or loss:			
– Gain on properties revaluation, net	13	31,178	–
– Income tax effect		(7,795)	–
		23,383	–
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		9,596	32,099
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		299,112	(180,392)

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		289,516	(212,491)
Non-controlling interests		–	–
		289,516	(212,491)
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY ARISING FROM:			
Continuing operations		(139,820)	(141,407)
Discontinued operations		429,336	(71,084)
		289,516	(212,491)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		299,112	(180,843)
Non-controlling interests		–	451
		299,112	(180,392)
EARNINGS (LOSS) PER SHARE, ARISING FROM	12		
Basic			
Continuing operations		HK(9.2) cents	HK(9.3) cents
Discontinued operations		HK28.1 cents	HK(4.6) cents
		HK18.9 cents	HK(13.9) cents
Diluted			
Continuing operations		HK(9.2) cents	HK(9.3) cents
Discontinued operations		HK28.1 cents	HK(4.6) cents
		HK18.9 cents	HK(13.9) 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	312,325	507,865
Right-of-use assets	14	38,813	55,293
Intangible assets	15	1,704	1,704
		352,842	564,862
CURRENT ASSETS			
Inventories	16	34,154	42,434
Trade receivables	17	67,952	48,960
Prepayments, deposits and other receivables	18	106,857	26,576
Cash and bank balances	19	13,552	4,275
		222,515	122,245
CURRENT LIABILITIES			
Trade payables	20	138,045	85,882
Other payables and accruals	21	323,446	389,309
Lease liabilities	14	172	951
Interest-bearing bank and other borrowings	22	440,910	795,353
Due to former fellow subsidiaries	29(ii)	54,038	34,113
Tax payables		249	23,421
		956,860	1,329,029
NET CURRENT LIABILITIES		(734,345)	(1,206,784)
TOTAL ASSETS LESS CURRENT LIABILITIES		(381,503)	(641,922)

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	14	–	172
Deferred income	23	352	21,511
Deferred tax liabilities	24	–	17,362
		352	39,045
NET LIABILITIES		(381,855)	(680,967)
CAPITAL AND RESERVES			
Share capital	25	152,759	152,759
Reserves		(528,683)	(827,795)
Deficit attributable to owners of the Company		(375,924)	(675,036)
Non-controlling interests		(5,931)	(5,931)
TOTAL DEFICIT		(381,855)	(680,967)

These consolidated financial statements on page 62 to page 139 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 Tieguang
Director

Kong Zhanpeng
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$'000	Statutory reserve fund HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total deficit HK$'000
At 1 January 2023	152,759	1,074,879	124,644	67,684	340,471	(2,435,473)	(675,036)	(5,931)	(680,967)
Profit for the year	–	–	–	–	–	289,516	289,516	–	289,516
Other comprehensive (loss) income									
Item that are reclassified or may be reclassified subsequently to profit or loss:									
– Release of exchange reserve upon disposal of subsidiaries (note 28(b))	–	–	–	–	(60,752)	–	(60,752)	–	(60,752)
– Exchange differences on translation of financial statements of operations outside Hong Kong	–	–	–	–	46,965	–	46,965	–	46,965
	–	–	–	–	(13,787)	–	(13,787)	–	(13,787)
Items that will not be reclassified subsequently to profit or loss:									
Gain on properties revaluation, net (note 13)	–	–	31,178	–	–	–	31,178	–	31,178
Income tax effect	–	–	(7,795)	–	–	–	(7,795)	–	(7,795)
	–	–	23,383	–	–	–	23,383	–	23,383
Total other comprehensive income (loss) for the year, net of tax	–	–	23,383	–	(13,787)	–	9,596	–	9,596
Total comprehensive income (loss) for the year	–	–	23,383	–	(13,787)	289,516	299,112	–	299,112
Transactions with owners of the Company									
Reserve released upon disposal of subsidiaries	–	–	(45,165)	(26,171)	–	71,336	–	–	–
At 31 December 2023	152,759	1,074,879*	102,862*	41,513*	326,684*	(2,074,621)*	(375,924)	(5,931)	(381,855)

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Properties revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total deficit HK$'000
At 1 January 2022	152,759	1,074,879	124,644	67,684	308,823	(2,222,982)	(494,193)	(6,382)	(500,575)
Loss for the year	–	–	–	–	–	(212,491)	(212,491)	–	(212,491)
Other comprehensive income *Item that are reclassified or may be reclassified subsequently to profit or loss:* Exchange differences on translation of financial statements of operations outside Hong Kong	–	–	–	–	31,648	–	31,648	451	32,099
Total other comprehensive income for the year, net of tax	–	–	–	–	31,648	–	31,648	451	32,099
Total comprehensive income (loss) for the year	–	–	–	–	31,648	(212,491)	(180,843)	451	(180,392)
At 31 December 2022	152,759	1,074,879*	124,644*	67,684*	340,471*	(2,435,473)*	(675,036)	(5,931)	(680,967)

* These reserve accounts comprise the negative reserves of HK$528,683,000 (2022: HK$827,795,000) in the consolidated statement of financial position.

SHARE PREMIUM

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

PROPERTIES REVALUATION RESERVE/EXCHANGE RESERVE

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

STATUTORY RESERVE FUND

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES			
Cash generated from operations	27(i)	88,356	13,251
Interest received		34	24
Net cash generated from operating activities		88,390	13,275
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(588)	(136)
Net cash outflow arising from disposal of subsidiaries	28	(1)	–
Decrease in amounts due from former fellow subsidiaries		–	19,771
Net cash (used in) generated from investing activities		(589)	19,635
CASH FLOWS FROM FINANCING ACTIVITIES	27(ii)		
Repayment of interest-bearing bank and other borrowings		(5,685)	(68,945)
Amount payable to a former fellow subsidiary		–	39,660
Interest paid		(516)	(4,644)
Prepayment to creditor for settlement of loans		(96,703)	–
Increase in an amount due to former fellow subsidiaries		24,608	13,473
Decrease in amounts due to former fellow subsidiaries		–	(15,674)
Net cash used in financing activities		(78,296)	(36,130)
Net increase (decrease) in cash and cash equivalents		9,505	(3,220)
Cash and cash equivalents at beginning of year		4,275	7,827
Effect of foreign exchange rate changes, net		(228)	(332)
Cash and cash equivalents at end of year	19	13,552	4,275

1. GENERAL INFORMATION

Global Sweeteners Holdings Limited (the "**Company**" or "**GSH**", together with its subsidiaries, the "**Group**") was incorporated in the Cayman Islands under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 1002, 10th Floor, Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2023 (the "**Year**").

On 6 April 2023, Global Corn Bio-Chem Technology Company Limited ("**Global Corn Bio-Chem**"), a wholly-owned subsidiary of Global Bio-chem Technology Group Company Limited ("**GBT**", the former immediate and ultimate holding company of the Group, and together with its subsidiaries, the "**GBT Group**"), a company incorporated in the Cayman Islands whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), entered into a sale and purchase agreement (the "**GSH SPA**") with Mr. Kong Zhanpeng and Mr. Wang Tieguang (the "**Joint Offerors**" or "**New Controlling Shareholders**") pursuant to which the Joint Offerors have conditionally agreed to acquire and Global Corn Bio-Chem has conditionally agreed to sell 717,965,000 ordinary shares of the Company (the "**GSH Sale Shares**"), representing approximately 47.00% of the entire issued share capital of the Company as at the date of the GSH SPA at a total consideration of HK$43,077,900 (the "**GSH Disposal**"), subject to certain conditions precedent. On 21 December 2023, all the conditions precedent under the GSH SPA in respect of the GSH Disposal were fulfilled or waived and the completion of GSH Disposal (the "**GSH Completion**") took place.

For the details of the GSH Disposal, please refer to the joint announcements issued by the Company, GBT, Joint Offerors dated 6 April 2023, 19 September 2023 and 21 December 2023, and the circular of Company dated 31 May 2023.

Immediately upon the GSH Completion, the Joint Offerors and parties acting in concert with them became interested in a total of 777,673,000 shares of the Company, representing approximately 50.91% of the entire issued share capital of the Company. GBT and Global Corn Bio-Chem are no longer the ultimate and immediate holding company, respectively, of the Group.

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 and the Companies Ordinance.

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

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

2.2 GOING CONCERN

As at 31 December 2023, the Group had net current liabilities of approximately HK$734.3 million (31 December 2022: approximately HK$1,206.8 million) and net liabilities of approximately HK$381.9 million (31 December 2022: approximately HK$681.0 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:

(1) Facilitating the CB Completion to improve the Group's operating cash flow

Reference is made to the joint announcement of the Company, GBT and the New Controlling Shareholders dated 6 April 2023 in relation to, among others, the conditional convertible bonds subscription agreement entered into between the Company and the New Controlling Shareholders as subscribers (the "**CB Subscription Agreement**"), pursuant to which the Company has conditionally agreed to issue, and the New Controlling Shareholders have conditionally agreed to subscribe (the "**CB Subscription**") for, the 3 year, 5 per cent convertible bonds in the aggregate principal amount of Renmibi ("**RMB**") 120.0 million (equivalent to approximately HK$138.0 million) (the "**Convertible Bonds**"), which may be converted into a total of 1,380,000,000 new ordinary share(s) of HK$0.1 each (the "**Conversion Shares**") to be allotted and issued by the Company pursuant to the exercise of the conversion right attached to the Convertible Bonds at an initial conversion price of HK$0.1 per Conversion Share (the "**Conversion Price**"), subject to the adjustment pursuant to the terms and conditions of the Convertible Bonds. Reference is also made to the announcement of the Company dated 4 January 2024 in relation to, among others, the change in use of proceeds from the issue of Convertible Bonds. The Directors have resolved to use the proceeds from the issue of the Convertible Bonds of RMB60.0 million for the repayment to the relevant creditors of the Group and the remaining RMB60.0 million for the preparation for the resumption of Jinzhou production facilities in order to improve the Group's operating cash flow.

Reference is made to the Company's announcement dated 20 March 2024, as additional time is required for the New Controlling Shareholders to complete the relevant administrative procedures in relation to the CB Subscription, the Company and the New Controlling Shareholders had agreed in writing on 20 March 2024, to extend the date of completion of issuance of Convertible Bonds of RMB60.0 million (the "**CB First Completion Date**") to 30 June 2024 or such other date as may be further agreed by them. Pursuant to the CB Subscription Agreement, the completion of the issuance of the remaining Convertible Bonds of RMB60.0 million will fall on a business day on or within six calendar months from the CB First Completion Date as notified by the Company to the New Controlling Shareholders, by not less than one month's written notice, or such other date as the Company and the New Controlling Shareholders shall agree in writing. The completion of CB Subscription (the "**CB Completion**") is yet to take place as at the date of this report. The Directors are of the view that the financial position of the Group will improve upon the CB Completion.

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

The Group has taken various measures to minimise the operating cost and develop new product 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 the Shanghai site and launched a series of high value-added products to expand the marketing sales.

2.2 GOING CONCERN *(continued)*

(3) Financial supports from the New Controlling Shareholders

The Group has received a written confirmation dated 7 March 2024 from the New Controlling Shareholders that they would provide financial support to the Group in the following 12 months on a going concern basis. Such assistance received by the Group is not secured by any assets of the Group.

As at 31 December 2023, the Group's current liabilities due to the associates of the New Controlling Shareholders amounted to approximately HK$78.8 million and the New Controlling Shareholders agreed that repayment request will not be made while the financial situation of the Group does not allow. In addition, The management of the Company is of the view that the New Controlling Shareholders would be able to support the operations of the Group by providing a stable corn starch and corn syrup supply to the Group with better commercial terms pursuant to the agreements (the "**Master Purchase Agreements**") entered into between 上海好成食品發展有限公司 (Shanghai Haocheng Food Development Co. Ltd*) ("**Shanghai Haocheng**"), an indirect wholly-owned subsidiary of the Company, as purchaser and 鋭豪科創商貿(廣州)有限公司 (Ruihao Property (Guangzhou) Co., Ltd.*) ("**Ruihao (Guangzhou)**") and 點點通供應鏈科技(深圳)有限公司 (DDT Supply Chain Technology (Shenzhen) Co., Ltd.*) ("**DDT Supply Chain**"), as sellers, respectively, for the supply and purchase of corn starch and sugar syrup which became effective on 1 January 2023. Each of Ruihao (Guangzhou) and DDT Supply Chain is an associate of the New Controlling Shareholders.

(4) Facilitated the debts restructuring on the Yuancheng CCB Loans and active negotiations with banks to obtain adequate banking facilities

On 28 December 2023, (i) 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**"), as creditor, (ii) 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**"), an indirect wholly-owned subsidiary of the Company, as debtor, and (iii) Shanghai Haocheng, as guarantor, entered into a debt restructuring agreement (the "**Debt Restructuring Agreement**"), pursuant to which the Group has agreed to repay to Jilin Cinda RMB88.0 million (the "**Settlement Amount**") within 30 days from the date of the Debt Restructuring Agreement (i.e. on or before 26 January 2024) for the settlement of the loans owed by 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 Corporation*) ("**Jinzhou CCB**") with the aggregate principal amount of RMB188.7 million together with outstanding interest (the "**Yuancheng CCB Loans**"). The Group had transferred a total of RMB88.0 million to Jilin Cinda for the purpose of the settlement of the Yuancheng CCB Loans and upon receipt of the Settlement Amount by Jilin Cinda in January 2024, all repayment obligations of the Group under the Debt Restructuring Agreement were considered fulfilled and the Group no longer has the obligations to settle the remaining balance of the Yuancheng CCB Loans, as such, the financial position of the Group improved significantly as at the date of this report.

2.2 GOING CONCERN *(continued)*

(4) Facilitated the debts restructuring on the Yuancheng CCB Loans and active negotiations with banks to obtain adequate banking facilities *(continued)*

Following the fulfillment of the Group's repayment obligation under the Yuancheng CCB Loans, the debts financing capacity of the Group resumed, the management of the Group has been actively negotiating with the banks in the PRC to obtain new banking facilities to meet the Group's capital requirements. Pursuant to the letter of intents given by 南洋商業銀行(中國)有限公司上海分行 (Nanyang Commercial Bank (China), Limited Shanghai Branch) ("**Shanghai Nanyang**") and 上海閔行上銀村鎮銀行股份有限公司 (Shanghai Minhang BOS Rural Bank) ("**BOS Rural Bank**") on 21 March 2024, Shanghai Nanyang and BOS Rural Bank granted loans in the aggregate amount of RMB70.0 million to Shanghai Haocheng. The Directors believe that the new banking facilities could be further improve the financial position and liquidity of the Group. Meanwhile, the management of the Group endeavoured to negotiate with 錦州銀行股份有限公司鐵北支行 (Tiebei Branch of Bank of Jinzhou Co., Ltd.*) ("**Tiebei BOJ**") for renewal of the loans from Tiebei BOJ to Jinzhou Yuancheng with the aggregate principal amount of RMB212.5 million. Tiebei BOJ preliminary concurs the renewal requests of the Group and such proposal is under the internal process and discussion of Tiebei BOJ. The management of the Group believes that the positive results of the internal discussion will be given by Tiebei BOJ in the second half of 2024.

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 twelve 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 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 which are explained below, the other new/revised HKFRSs are not expected to be relevant to the Group.

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

Basis of consolidation

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

Subsidiaries

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

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

Business combinations and goodwill

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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

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

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

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

Fair value measurement

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

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

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

2.5 SUMMARY OF 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 ("**VIU**") and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

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

Intangible assets – Golf club membership

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

Leases

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

As lessee

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As lessee *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As lessee *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

As lessee *(continued)*

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 2022; and

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

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

Financial instruments

Financial assets

Recognition and derecognition

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and measurement

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

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

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

Financial assets measured at amortised cost

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

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

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

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

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

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities *(continued)*

Classification and measurement

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

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

Financial guarantee contracts

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

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

Impairment of financial assets and other items

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

Measurement of ECL

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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

Measurement of ECL (continued)

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

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

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

(i) past due information

(ii) nature of instrument

(iii) nature of collateral, if any

(iv) industry of debtors

(v) geographical location of debtors

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

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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

Assessment of significant increase in credit risk

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

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

Low credit risk

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

(i) it has a low risk of default;

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

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

As detailed in note 30 to the consolidated financial statements, financial instruments including bank balances are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing component, 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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

Credit-impaired financial asset

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

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

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

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

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

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

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

Write off

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

Inventories

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

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 expense item, as appropriate, on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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

Revenue

Revenue from contracts with customers within HKFRS 15

Nature of goods

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue *(continued)*

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

Identification of performance obligations

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

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

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

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

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

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

Timing of revenue recognition

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

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

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

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

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue *(continued)*

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

Transaction price: significant financing components

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

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

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

Interest income

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

Contract assets and contract liabilities

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

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Contract costs

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

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

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

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

Employee benefits

Short term employee benefits

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

Retirement benefits

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Retirement benefits *(continued)*

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

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

Borrowing costs

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

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.

Foreign currencies

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

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

The functional currencies of certain overseas subsidiaries are currencies other than HK$. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into HK$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Judgments

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

Deferred tax liability for withholding taxes

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

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.

Estimation uncertainty

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

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

Estimation uncertainty *(continued)*

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.

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

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

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

Estimation uncertainty *(continued)*

Loss allowance for ECL

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumptions and inputs used in estimating ECL are set out in note 30 to the consolidated financial statements.

Write-down of inventories

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

Income taxes

At 31 December 2023, deferred tax assets of approximately HK$42.4 million (2022: HK$145.7 million) in relation to deductible temporary differences and tax losses were 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$230.1 million (2022: HK$124.7 million) and the remaining deductible temporary difference of HK$130.5 million (2022: HK$251.7 million) due to unpredictability of future profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits or taxable temporary differences are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two (2022: two) reportable operating segments as follows:

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

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

On 21 December 2023, the completion of disposal of 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) ("**Dihao Crystal Sugar**", together with Dihao Foodstuff, the "**Dihao Companies**") (the "**Dihao Transfer**") took place, the corn sweeteners business in Jilin Province, the PRC which were operated by Dihao Companies were therefore classified as discontinued operations of the Group. The details of the disposal are summarised in note 28 to the consolidated financial statements.

4. OPERATING SEGMENT INFORMATION *(continued)*

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.

(i) Segment results

Year ended 31 December 2023

	(Continuing operations)		(Discontinued operations)	
	Corn refined products HK$'000	Corn sweeteners HK$'000	Corn sweeteners HK$'000	Total HK$'000
Segment revenue				
Revenue from external customers	–	440,813	–	440,813
Segment results	(72,791)	(18,076)	(35,785)	(126,652)
Reconciliation:				
Unallocated bank interest income				34
Corporate and other unallocated expenses				(10,912)
Gain on disposal of subsidiaries	–	–	476,997	476,997
Finance costs	(42,442)	–	(25,919)	(68,361)
Profit before tax				271,106
Income tax credit (expense)	4,932	(565)	14,043	18,410
Profit for the year				289,516

4. OPERATING SEGMENT INFORMATION *(continued)*

(i) Segment results *(continued)*

Year ended 31 December 2022

	(Continuing operations) Corn refined products HK$'000	(Continuing operations) Corn sweeteners HK$'000	(Discontinued operations) Corn sweeteners HK$'000	Total HK$'000
Segment revenue				
Revenue from external customers	–	359,567	–	359,567
Segment results	(50,100)	(49,700)	(43,147)	(142,947)
Reconciliation:				
Unallocated bank interest income				24
Corporate and other unallocated expenses				(8,022)
Finance costs	(41,040)	–	(27,937)	(68,977)
Loss before tax				(219,922)
Income tax credit	–	7,431	–	7,431
Loss for the year				(212,491)

4. OPERATING SEGMENT INFORMATION *(continued)*

(ii) Other segment information

Year ended 31 December 2023

	(Continuing operations)		(Discontinued operations)	
	Corn refined products HK$'000	Corn sweeteners HK$'000	Corn sweeteners HK$'000	Total HK$'000
Capital expenditure	–	588	–	588
Sale of scrap raw materials, net of cost	(678)	–	–	(678)
Depreciation				
– Property, plant and equipment	18,183	39,683	14,884	72,750
– Right-of-use assets (a)	3,597	145	1,256	4,998
Reversal of write-down of inventories, net	(4)	–	–	(4)
Impairment of property, plant and equipment	21,276	–	–	21,276
Reversal of impairment of trade receivables, net	–	(83)	–	(83)
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	91	496	(93)	494
Impairment of amount due from a former fellow subsidiary	–	1,277	1,818	3,095
(Gain) Deficit on properties revaluation, net	(16,591)	2,767	(17,354)	(31,178)
Reversal of overprovision of other tax payables	–	(4,385)	–	(4,385)

4. OPERATING SEGMENT INFORMATION *(continued)*

(ii) Other segment information *(continued)*

Year ended 31 December 2022

	(Continuing operations)		(Discontinued operations)	
	Corn refined products HK$'000	Corn sweeteners HK$'000	Corn sweeteners HK$'000	Total HK$'000
Capital expenditure	–	136	–	136
Sale of scrap raw materials, net of cost	(8,763)	–	–	(8,763)
Depreciation				
– Property, plant and equipment	19,023	35,115	16,054	70,192
– Right-of-use assets (a)	3,764	153	1,331	5,248
Reversal of write-down of inventories, net	(12)	–	–	(12)
Impairment of property, plant and equipment	–	–	406	406
Impairment of trade receivables, net	12	434	–	446
Impairment (reversal of impairment) of prepayments, deposits and other receivables, net	220	(2)	407	625

Remark:

(a) Depreciation of right-of-use assets of continuing operations that was not attributable to any of the above segments amounted to HK$875,000 (2022: HK$874,000) was included in corporate and other unallocated expenses.

(iii) Geographical information

Revenue information based on locations of customers

Continuing operations	2023 HK$'000	2022 HK$'000
The PRC	430,580	346,575
Asian region and others	10,233	12,992
	440,813	359,567

No revenue generated from discontinued operations during the years ended 31 December 2023 and 2022.

4. OPERATING SEGMENT INFORMATION *(continued)*

(iii) Geographical information *(continued)*

Non-current assets information based on locations of assets

	2023 HK$'000	2022 HK$'000
Continuing operations		
The PRC	352,550	415,852
Hong Kong	292	1,167
	352,842	417,019
Discontinued operations		
The PRC	–	147,843

(iv) Information about major customers

No revenue from any customer from the corn refined products segment individually accounted for 10% or more of the Group's revenue for the Year (2022: Nil).

Revenue from customers from the corn sweeteners segment individually accounted for 10% or more of the Group's revenue are as follows:

Continuing operations	2023 HK$'000	2022 HK$'000
Corn sweeteners:		
Customer A	*	66,495
Customer B	72,015	*
Customer C	49,008	*
	121,023	66,495

* These customers individually contributed less than 10% of the total revenue from the Group's corn sweeteners segment during the years ended 31 December 2023 and 2022.

5. REVENUE, OTHER INCOME AND GAINS

	2023 HK$'000	2022 HK$'000 (Re-presented)
Continuing operations		
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	440,813	359,567

	Note	2023 HK$'000	2022 HK$'000 (re-presented)
Other income and gains			
Amortisation of deferred income	23	178	186
Bank interest income		34	24
Foreign exchange gain, net		157	772
Government grants (b)		623	851
Rental income		1,119	1,258
Reversal of overprovision of other tax payables		4,385	–
Reversal of impairment of trade receivables, net		83	–
Reversal of write-down of inventories, net		4	12
Subcontracting income		3,676	1,964
Sale of scrap raw materials, net of cost		678	8,763
Others		539	248
		11,476	14,078

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$15,639,000 (2022: HK$16,165,000) (note 21(a)).

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

6. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2023 HK$'000	2022 HK$'000 (Re-presented)
Employee benefits expenses (excluding directors' remuneration)			
– Wages and salaries		46,870	55,401
– Pension scheme contributions		16,714	19,943
		63,584	75,344
Cost of inventories sold (a)		404,195	332,300
Auditor's remuneration			
– Annual audit		1,000	1,500
– Non-audit service fee		546	341
Foreign exchange gain, net		(157)	(772)
Depreciation			
– Property, plant and equipment		57,866	54,138
– Right-of-use assets		4,617	4,791
Reversal of write-down of inventories, net		(4)	(12)
(Reversal of) Impairment of trade receivables, net	30	(83)	446
Impairment of prepayments, deposits and other receivables, net		587	218
Impairment of property, plant and equipment (included in other expenses)	13	21,276	–
Impairment of amount due from a former fellow subsidiary (b)		1,277	–
Reversal of overprovision of other tax payables		(4,385)	–

Remarks:

(a) Cost of inventories sold includes employee benefits expenses and depreciation amounted to HK$18,306,000 (2022: HK$22,442,000), which are also included in the respective total amounts disclosed separately above for each of these types of income and expenses.

(b) The amount represented the impairment of amount due from 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 GBT, which was derecognised from the GBT Group during the Year.

7. FINANCE COSTS

	Note	2023 HK$'000	2022 HK$'000 (re-presented)
Continuing operations			
Interest on bank and other borrowings		39,886	40,189
Interest on amount payable to a former fellow subsidiary	29(i)	2,549	839
Interest on lease liabilities		7	12
		42,442	41,040

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The aggregate amounts of emoluments paid and payable to the Directors by the Group during the years are as follows:

	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 Tieguang (appointed on 28 December 2023)	6	–	–	6
Mr. Kong Zhanpeng (appointed on 28 December 2023)	6	–	–	6
Mr. Wang Guicheng (a) (resigned on 17 January 2024)	–	–	–	–
Mr. Tai Shubin (a) (re-designated from an executive Director to a non-executive Director on 18 January 2024)	–	–	–	–
	12	–	–	12
Independent non-executive Directors (b) (c)				
Mr. Lo Kwing Yu	240	–	–	240
Mr. Fong Wai Ho (resigned on 18 January 2024)	240	–	–	240
Mr. Fan Yeran (resigned on 18 January 2024)	107	–	–	107
	587	–	–	587

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. Zhang Zihua (a) (resigned on 11 October 2022)	–	–	–	–
Mr. Wang Guicheng (a) (appointed on 31 October 2022)	–	–	–	–
Mr. Tai Shubin (a)	–	–	–	–
	–	–	–	–
Independent non-executive Directors				
Mr. Lo Kwing Yu	240	–	–	240
Mr. Fong Wai Ho	240	–	–	240
Mr. Fan Yeran	112	–	–	112
	592	–	–	592

Remarks:

(a) According to the Director's service contracts entered into between the Company and each of Mr. Zhang Zihua, Mr. Wang Guicheng and Mr. Tai Shubin, these executive Directors are not entitled to any salaries, allowances, performance bonuses, pension scheme contribution and any benefits in kind.

(b) Ms. Liu Ying was appointed as an independent non-executive Director on 18 January 2024.

(c) Ms. Li Guichen was appointed as an independent non-executive Director on 18 January 2024.

No performance related bonus was paid or payable by the Group to any of the Directors during the years ended 31 December 2023 and 2022. No emolument was paid by the Group to any of the directors and chief executive of the Company as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2023 and 2022. None of the Directors and chief executive of the Company waived any emoluments during the years ended 31 December 2023 and 2022.

Chief operating officer

The salaries, allowance, performance bonuses, pension scheme contribution and any benefits in kind of chief operating officer of the Group, Mr. Wang Guicheng who ceased as chief operating officer of the Group on 28 December 2023, were paid by the GBT Group for the years ended 31 December 2023 and 2022.

9. FIVE HIGHEST PAID EMPLOYEES

No Director is included in the five highest paid employees during the Year (2022: Nil). Details of the remuneration of the five (2022: five) highest paid employees who are not Directors nor chief executives of the Company are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	1,647	1,808
Pension scheme contributions	67	76
	1,714	1,884

The highest paid employees fell within the following band:

	2023	2022
Nil to HK$1,000,000	5	5

No performance related bonus was paid or payable by the Group to any of the highest paid non-Director employees during the years ended 31 December 2023 and 2022. No emolument was paid or payable by the Group to the highest paid non-Director employees as inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 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 Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the years ended 31 December 2023 and 2022.

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.

	Note	2023 HK$'000	2022 HK$'000 (re-presented)
Continuing operations			
Deferred tax			
– Origination and reversal of temporary differences, net	24	(4,367)	(7,431)
Income tax credit		(4,367)	(7,431)

10. INCOME TAX CREDIT *(continued)*

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

	2023 HK$'000	2022 HK$'000 (Re-presented)
Loss before tax from continuing operations	(144,187)	(148,838)
Income tax at applicable tax rate	(35,072)	(54,299)
Non-deductible expenses	6,543	3,648
Tax-exempt revenue	(17)	(20)
Recognition of previously unrecognised deferred taxes and reversal of deferred taxes	(5,325)	1,340
Unrecognised tax losses	29,504	41,900
Income tax credit	(4,367)	(7,431)

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

11. DIVIDENDS

The Board 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	(139,820)	(141,407)
– Discontinued operations	429,336	(71,084)
	289,516	(212,491)
Number of shares		
Weighted average of ordinary shares in issue	1,527,586,000	1,527,586,000
Basic earnings (loss) per share (HK cents per share)		
– Continuing operations	(9.2)	(9.3)
– Discontinued operations	28.1	(4.6)
	18.9	(13.9)

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022.

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Leasehold buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture, office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2022						
At 1 January 2022		404,614	195,041	4,295	7,330	611,280
Additions		–	136	–	–	136
Depreciation	4(ii)	(38,852)	(28,722)	(2,618)	–	(70,192)
Impairment	4(ii)	–	–	–	(406)	(406)
Exchange realignment		(19,561)	(12,620)	(219)	(553)	(32,953)
At 31 December 2022		346,201	153,835	1,458	6,371	507,865
At 31 December 2022						
At cost		–	1,195,118	27,243	38,002	1,260,363
At valuation		379,000	–	–	–	379,000
Accumulated depreciation and impairment losses		(32,799)	(1,041,283)	(25,785)	(31,631)	(1,131,498)
Net carrying amount		346,201	153,835	1,458	6,371	507,865
Reconciliation of carrying amount – year ended 31 December 2023						
At 1 January 2023		346,201	153,835	1,458	6,371	507,865
Additions		–	219	46	323	588
Depreciation	4(ii)	(44,451)	(27,125)	(1,174)	–	(72,750)
Disposal of subsidiaries	28(b)	(90,755)	(36,488)	–	(2,383)	(129,626)
Gain on properties valuation		31,178	–	–	–	31,178
Impairment	4(ii)	–	(18,229)	–	(3,047)	(21,276)
Exchange realignment		(2,080)	(1,345)	(26)	(203)	(3,654)
At 31 December 2023		240,093	70,867	304	1,061	312,325
At 31 December 2023						
At cost		–	438,250	23,312	34,271	495,833
At valuation		259,879	–	–	–	259,879
Accumulated depreciation and impairment losses		(19,786)	(367,383)	(23,008)	(33,210)	(443,387)
Net carrying amount		240,093	70,867	304	1,061	312,325

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

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 categorized as Level 3 fair value measurement.

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 applications for building certificates for certain leasehold buildings of the Group with a total carrying amount of HK$69,280,000 (2022: HK$101,710,000) were still in progress.

Had the Group's leasehold buildings been carried under the cost model, their carrying amount at 31 December 2023 would have been approximately HK$155,058,000 (2022: HK$243,713,000).

The Group's leasehold buildings were revalued by an independent professional qualified valuer, based on their existing use at 31 May 2023, in relation to the very substantial disposal transaction, among others, the Dihao Transfer. 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 considering the depreciation of leasehold buildings in relevant months. Therefore, the Directors adopt the carrying amount of approximately HK$240,093,000 as an open market value at 31 December 2023. A gain on properties revaluation of approximately HK$31,178,000 (before deferred tax) was recognised in other comprehensive income and credited to properties revaluation reserve for 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)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Industrial properties	–	–	221,175	221,175
Residential properties	–	–	18,918	18,918
	–	–	240,093	240,093

	Fair value measurement at 31 December 2022 using			
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:				
Industrial properties	–	–	328,082	328,082
Residential properties	–	–	18,119	18,119
	–	–	346,201	346,201

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)*

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

	2023 HK$'000	2022 HK$'000
At 1 January	346,201	404,614
Gain on properties valuation	31,178	–
Disposal of subsidiaries	(90,755)	–
Depreciation	(44,451)	(38,852)
Exchange realignment	(2,080)	(19,561)
At 31 December	240,093	346,201

The gain on properties revaluation for the year ended 31 December 2023 represented the total gain for the year included in other comprehensive income for leasehold buildings held at 31 December 2023.

Below is a summary of the valuation technique and the key inputs used in the valuation of the leasehold buildings at 31 May 2023:

Valuation technique	Significant unobservable input	Industrial properties	Residential properties
DRC approach	Construction cost (RMB square meter)	RMB580-RMB1,900	RMB620-RMB2,000

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

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

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Note	Leasehold land HK$'000	Factories and office HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2022				
At 1 January 2022		64,521	2,041	66,562
Depreciation		(5,248)	(874)	(6,122)
Exchange realignment		(5,147)	–	(5,147)
At 31 December 2022		54,126	1,167	55,293
Reconciliation of carrying amount – year ended 31 December 2023				
At 1 January 2023		54,126	1,167	55,293
Depreciation		(4,998)	(875)	(5,873)
Disposal of subsidiaries	28(b)	(7,878)	–	(7,878)
Exchange realignment		(2,729)	–	(2,729)
At 31 December 2023		38,521	292	38,813
At 31 December 2022				
Cost		149,037	9,271	158,308
Accumulated depreciation and impairment losses		(94,911)	(8,104)	(103,015)
		54,126	1,167	55,293
At 31 December 2023				
Cost		125,131	9,271	134,402
Accumulated depreciation and impairment losses		(86,610)	(8,979)	(95,589)
		38,521	292	38,813

The leasehold land is granted with remaining lease terms ranging from 8 to 49 years (2022: 9 to 50 years) and is situated in the PRC.

The Group leases various factories and office premises from former fellow subsidiaries for its daily operations with lease terms of 1 to 3 (2022: 1 to 3) years.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

Restrictions or covenants

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

Lease liabilities

	2023 HK$'000	2022 HK$'000
Current portion	172	951
Non-current portion	–	172
	172	1,123

The Group has recognised the following amounts for the years:

	2023 HK$'000	2022 HK$'000
Lease payments:		
Short-term leases	2,291	2,398
Expenses recognised in profit or loss	2,291	2,398
Payment of lease liabilities	958	958

The lease payments were made by crediting the current account with the former fellow subsidiaries. There was no cash outflow for leases during the years ended 31 December 2023 and 2022.

15. INTANGIBLE ASSETS

	Golf club membership HK$'000
Reconciliation of carrying amount – years ended 31 December 2023 and 2022	
At 1 January 2023 and 2022 and 31 December 2023 and 2022	1,704
At 31 December 2023 and 31 December 2022	
At cost	3,243
Accumulated impairment losses	(1,539)
	1,704

16. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	14,300	36,496
Finished goods	19,854	5,938
	34,154	42,434

17. TRADE RECEIVABLES

	Note	2023 HK$'000	2022 HK$'000
Trade receivables		138,038	125,105
Loss allowance	30	(70,086)	(76,145)
		67,952	48,960

The Group normally grants credit terms of 30 to 90 days (2022: 30 to 90 days) to established customers. The trade receivables are mainly denominated in RMB.

17. TRADE RECEIVABLES *(continued)*

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	**46,582**	31,149
1 to 2 months	**15,519**	11,434
2 to 3 months	**4,213**	3,376
Over 3 months	**1,638**	3,001
	67,952	48,960

Information about the Group's exposure to credit risk and loss allowance for trade receivables is included in note 30 to the consolidated financial statements.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments	**6,006**	7,016
Prepayments to Jilin Cinda (a)	**96,703**	–
Deposits and other debtors	**2,314**	7,756
The PRC value-added tax ("**VAT**") and other tax receivables	**1,834**	11,804
	106,857	26,576

Remark:

(a) On 28 December 2023, (i) Jilin Cinda, as creditor, (ii) Jinzhou Yuancheng, as debtor, and (iii) Shanghai Haocheng, as guarantor, entered into the Debt Restructuring Agreement, pursuant to which the Group has agreed to repay to Jilin Cinda RMB88.0 million for the settlement of the Yuancheng CCB Loans within 30 days from the date of the Debt Restructuring Agreement (i.e. on or before 26 January 2024). The Group has transferred a total of RMB88.0 million, to Jilin Cinda in advance for the purpose of the settlement of Yuancheng CCB Loans.

Subsequent to the end of reporting period, Jilin Cinda confirmed in writing that the terms and conditions stipulated in the Debt Restructuring Agreement have been fulfilled and the Debt Restructuring Agreement has been completed in January 2024. As a result, the remaining balance of the loan amount and interest under the Yuancheng CCB Loans have been waived and all repayment obligations of the Group under the Debt Restructuring Agreement have been fulfilled.

Information about the Group's exposure to credit risk and loss allowance for other receivables is included in note 30 to the consolidated financial statements.

19. CASH AND BANK BALANCES

	2023 HK$'000	2022 HK$'000
Cash and bank balances	13,552	4,275

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$7,060,000 (2022: HK$3,504,000). RMB held by subsidiaries in the PRC is not freely convertible into other currencies. However, under relevant regulations in the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. TRADE PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables		
To related parties (a)		
Ruihao (Guangzhou)	64,293	–
DDT Supply Chain	14,472	–
	78,765	–
To third parties	59,280	85,882
	138,045	85,882

Remark:

(a) The trade payables to related parties, Ruihao (Guangzhou) and DDT Supply Chain, are unsecured, interest-free and repayable on demand.

The Group normally obtains credit terms ranging from 30 to 90 days (2022: 30 to 90 days) from its suppliers. The trade payables are mainly denominated in RMB.

20. TRADE PAYABLES *(continued)*

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

	2023 HK$'000	2022 HK$'000
Within 1 month	46,860	25,378
1 to 2 months	8,253	1,793
2 to 3 months	1,303	105
Over 3 months	81,629	58,606
	138,045	85,882

21. OTHER PAYABLES AND ACCRUALS

	2023 HK$'000	2022 HK$'000
Payables for purchases of machinery	89	2,238
Customer deposits and receipts in advance (a)	45,733	15,639
VAT and other duties payable	70,496	110,330
Accruals for employee benefits	73,802	77,409
Accrued expenses	29,374	51,125
Interest payables	103,952	132,568
	323,446	389,309

Remark:

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

	2023 HK$'000	2022 HK$'000
At 1 January	15,639	16,165
Recognised as revenue	(15,639)	(16,165)
Receipt of advances or recognition of receivables	45,733	15,639
At 31 December	45,733	15,639

21. OTHER PAYABLES AND ACCRUALS *(continued)*

Unsatisfied or partially unsatisfied performance obligations

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

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective interest rate	Maturity	Amount HK$'000	Effective interest rate	Maturity	Amount HK$'000
Bank borrowings						
– Unsecured	N/A	N/A	–	6.8% – 10.0%	On demand/ 2023	220,342
– Secured	10.5%-12.0%	On demand/ 2024	233,517	7.0% – 8.4%	On demand/ 2023	241,477
Other borrowings						
– Unsecured	8.2%	On demand/ 2024	207,393	N/A	N/A	–
– Secured	N/A	N/A	–	6.4% – 10.0%	On demand/ 2023	333,534
			440,910			795,353

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand	440,910	795,353

At 31 December 2023, the Group's bank and other borrowings amounting to HK$233,517,000 (2022: HK$575,011,000) were secured by pledge of certain property, plant and equipment of the Group amounted to HK$191,836,000 (2022: secured by pledge of certain property, plant and equipment and right-of-use assets of the Group and a receivable of the GBT Group amounted to HK$302,678,000, HK$13,244,000 and HK$113,636,000 respectively).

At 31 December 2023, the Group's other borrowings amounted to HK$207,393,000 (2022 Bank borrowings: HK$214,774,000) were unsecured and corporate guarantee was provided by GBT. The Company also provided counter guarantee to GBT and Dihao Foodstuff in respect of such loans.

At 31 December 2022, the Group's other borrowings amounted to HK$128,989,000 were secured and guaranteed by GBT.

At 31 December 2023 and 2022, all of the Group's bank and other borrowings were denominated in RMB.

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

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

Further details of the Group's management of liquidity risk are set out in note 30 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$440.9 million (2022: HK$614.7 million),which had been included in the breach of covenant, such breach of covenants and default in repayment may also trigger cross default provisions in other loan agreements.

In respect of the loans in the aggregate principal amount of RMB188.7 million (2022: RMB189.0 million) and outstanding interest accrued thereon due to Jinzhou CCB, preservation of the bank balances (or assets of equivalent value) of approximately RMB213.9 million (2022: RMB213.9 million) of certain members of the Group and the GBT Group was granted by the order of 遼寧省瀋陽市中級人民法院 (Intermediate People's Court of Shenyang City, Liaoning Province*) (the "**Court**") in favour of Jinzhou CCB. As mentioned in note 18(a) to the consolidated financial statements, the Debt Restructuring Agreement has been completed in January 2024. As a result, the remaining balance of the Yuancheng CCB Loans and interest under the Yuancheng CCB Loans have been waived and all repayment obligations of the Group have been fulfilled and the release of preservation of the Group's assets have been granted by the Court subsequently.

23. DEFERRED INCOME

	Notes	2023 HK$'000	2022 HK$'000
At 1 January		**21,511**	25,476
Amortisation from continuing operations	5	**(178)**	(186)
Amortisation from discontinued operations		**(2,000)**	(2,093)
Disposal of subsidiaries	28(b)	**(18,297)**	–
Exchange realignment		**(684)**	(1,686)
At 31 December		**352**	21,511

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

24. DEFERRED TAX

	Notes	2023 HK$'000	2022 HK$'000
At 1 January		17,362	27,975
Credited to profit or loss			
– Continuing operations	10	(4,367)	(7,431)
– Discontinued operations	28(a)	(14,043)	–
Charged to other comprehensive income/equity		7,795	–
Disposal of subsidiaries	28(b)	(7,242)	–
Exchange realignment		495	(3,182)
At 31 December		–	17,362

Recognised deferred tax assets and liabilities:

	Assets		Liabilities	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Depreciation allowances	33,483	78,371	9,164	13,299
Deferred income arising from resumption of properties	–	–	–	109,174
Revaluation of leasehold buildings	–	–	33,266	40,611
Tax losses	8,947	53,906	–	–
Others	–	13,445	–	–
	42,430	145,722	42,430	163,084
Offsetting	(42,430)	(145,722)	(42,430)	(145,722)
Deferred tax liabilities, net	–	–	–	17,362

24. DEFERRED TAX *(continued)*

Unrecognised deferred tax assets arising from:

	2023 HK$'000	2022 HK$'000
Before multiplied by the applicable tax rates:		
Deductible temporary differences	130,482	251,700
Tax losses	230,033	124,700
	360,515	376,400

Deductible temporary differences of approximately HK$130.5 million (2022: HK$251.7 million) and tax losses arising in Hong Kong of approximately HK$47.8 million (2022: HK$47.8 million) have no expiry date under current tax legislations. Tax losses arising in the PRC of approximately HK$182.3 million (2022: HK$76.9 million) which are available for offsetting against future taxable profits of the subsidiaries in which the losses arose will expire in one to five years. The Directors consider that no deferred tax assets should be recognised as it is uncertain whether future taxable profits can be generated by these subsidiaries to utilise these tax losses and deductible temporary differences. The unrecognised tax losses will be expired as follows:

	2023 HK$'000	2022 HK$'000
Year of expiry		
2023	–	2,634
2024	–	2,463
2025	23,120	25,517
2026	22,255	24,948
2027	18,879	21,383
2028	118,018	–
	182,272	76,945

Deferred tax has not been recognised for withholding taxes and other taxes of 10% that would be payable on the unremitted earnings of certain subsidiaries totaling HK$174.7 million at 31 December 2023 (2022: HK$174.4 million). The Directors consider that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

25. SHARE CAPITAL

	2023 HK$'000	2022 HK$'000
Authorised:		
100,000,000,000 (2022: 100,000,000,000) ordinary shares of HK$0.10 each	10,000,000	10,000,000
Issued and fully paid:		
1,527,586,000 (2022: 1,527,586,000) ordinary shares of HK$0.10 each	152,759	152,759

26. CAPITAL COMMITMENTS

	2023 HK$'000	2022 HK$'000
Contracted, but not provided for:		
Purchase or construction of property, plant and equipment	92	4,085

27. OTHER CASH FLOW INFORMATION

(i) Cash generated from operations

	Notes	2023 HK$'000	2022 HK$'000
Profit (Loss) before tax			
– From continuing operations		(144,187)	(148,838)
– From discontinued operations		415,293	(71,084)
Profit (Loss) before tax including discontinued operations		271,106	(219,922)
Bank interest income		(34)	(24)
Finance costs		68,361	68,977
Depreciation			
– Property, plant and equipment	13	72,750	70,192
– Right-of-use assets	14	5,873	6,122
Amortisation of deferred income		(2,178)	(2,279)
Gain on disposal of subsidiaries	28(a)	(476,997)	–
Impairment of property, plant and equipment	13	21,276	406
(Reversal of) Impairment of trade receivables, net	30	(83)	446
Impairment of amount due from a former fellow subsidiary		3,095	–
Impairment of prepayments, deposits and other receivables, net		494	625
Reversal of overprovision of other tax payables		(4,385)	–
Reversal of write-down of inventories, net		(4)	(12)
		(40,726)	(75,469)
Changes in working capital:			
Inventories		6,622	19,151
Trade receivables		(20,752)	44,487
Prepayments, deposits and other receivables		1,635	18,708
Trade payables		72,447	(20,632)
Other payables and accruals		69,130	27,006
Cash generated from operations		88,356	13,251

27. OTHER CASH FLOW INFORMATION *(continued)*

(ii) Changes in liabilities arising from financing activities

	Due to former fellow subsidiaries HK$'000	Amount payable to a former fellow subsidiary HK$'000	Interest–bearing bank and other borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2023	(5,547)	39,660	795,353	1,123	830,589
Changes from financing cash flows:					
Decrease in amounts due to former fellow subsidiaries	24,608	–	–	–	24,608
Repayment of interest-bearing bank and other borrowings	–	–	(5,685)	–	(5,685)
Interest paid	–	–	(516)	–	(516)
Total changes from financing cash flows	24,608	–	(6,201)	–	18,407
Exchange realignment	(7,428)	(1,308)	(26,220)	–	(34,956)
Other changes:					
Disposal of subsidiaries	–	–	(322,538)	–	(322,538)
Impairment of amount due from a fellow subsidiary	3,095	–	–	–	3,095
Change in lease liabilities	958	–	–	(958)	–
Interest expenses	–	–	516	7	523
Total other changes	4,053	–	(322,022)	(951)	(318,920)
At 31 December 2023	15,686	38,352	440,910	172	495,120

27. OTHER CASH FLOW INFORMATION *(continued)*

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

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

(iii) Major non-cash transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, during the Year, amount due to former ultimate holding company in aggregate of HK$465.8 million (2022: HK$13.9 million) and amounts due from former fellow subsidiaries in aggregate of HK$19.9 million (2022: HK$53.9 million) were assigned to or offset against amounts due to fellow subsidiaries as agreed among the relevant parties.

28. DISCONTINUED OPERATIONS

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

For the details of the Dihao Transfer, please refer to the joint announcement made by the Company and GBT dated 6 April 2023 and the circular issued by the Company dated 31 May 2023.

As detailed in the joint announcement issued by the Company, the New Controlling Shareholders and GBT dated 21 December 2023, all conditions precedent in the Dihao SPAs have been fulfilled or waived (as the case may be) and the completion of Dihao Transfer (the "**Dihao Completion**") took place on 21 December 2023. Immediately upon the Dihao Completion, Dihao Companies are no longer the subsidiaries of the Group.

Followed by the Dihao Completion, the Group classified the corn sweeteners businesses in Jilin Province, the PRC which were operated by Dihao Companies as discontinued operations. 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 for the period from 1 January 2023 to 21 December 2023 and for the year ended 31 December 2022 are summarised as follows:

28. DISCONTINUED OPERATIONS *(continued)*

(a) Financial performance and cash flow information

	From 1 January 2023 to 21 December 2023		
	Dihao Foodstuff HK$'000	Dihao Crystal Sugar HK$'000	Total HK$'000
Other income and gains	2,093	–	2,093
Selling and distribution costs	(1,039)	–	(1,039)
Administrative expenses	(22,592)	(2,623)	(25,215)
Other expenses	(11,624)	–	(11,624)
Finance costs	(25,919)	–	(25,919)
Loss before tax	(59,081)	(2,623)	(61,704)
Income tax credit	11,688	2,355	14,043
Loss for the year from discontinued operations	(47,393)	(268)	(47,661)
Gain on disposal of the subsidiaries	416,109	60,888	476,997
Profit from discontinued operations	368,716	60,620	429,336
Net cash inflows (outflows) from			
Operating activities	6,200	(9)	6,191
Investing activities	–	–	–
Financing activities	(6,200)	–	(6,200)
Total cash flows	–	(9)	(9)

28. DISCONTINUED OPERATIONS *(continued)*

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

	2022		
	Dihao Foodstuff HK$'000	Dihao Crystal Sugar HK$'000	Total HK$'000
Other income and gains	2,224	–	2,224
Selling and distribution costs	(1,622)	–	(1,622)
Administrative expenses	(25,129)	(2,818)	(27,947)
Other expenses	(15,802)	–	(15,802)
Finance costs	(27,937)	–	(27,937)
Loss before tax	(68,266)	(2,818)	(71,084)
Taxation	–	–	–
Loss for the year from discontinued operations	(68,266)	(2,818)	(71,084)
Net cash outflows from operating activities	(16)	(3)	(19)

(b) Details of the disposal of subsidiaries

	Dihao Foodstuff HK$'000	Dihao Crystal Sugar HK$'000	Total HK$'000
Cash consideration received (a)	–	–	–
Carrying amount of net liabilities disposed of	379,804	36,441	416,245
Release of exchange reserve upon disposal of subsidiaries	36,305	24,447	60,752
Gain on disposal of subsidiaries after tax	416,109	60,888	476,997

Remark:

(a) The Dihao Vendors have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in Dihao Foodstuff and Dihao Crystal Sugar at the consideration of RMB1.0 and RMB1.0, respectively.

28. DISCONTINUED OPERATIONS *(continued)*

(b) Details of the disposal of subsidiaries *(continued)*

The details of the net liabilities disposed of are summarised as below:

	Dihao Foodstuff HK$'000	Dihao Crystal Sugar HK$'000	Total HK$'000
Non-current assets			
Property, plant and equipment	104,392	25,234	129,626
Right-of-use assets	4,654	3,224	7,878
	109,046	28,458	137,504
Current assets			
Inventories	340	–	340
Prepayments, deposits and other receivables	12,504	30	12,534
Cash and bank balances	1	–	1
	12,845	30	12,875
Current liabilities			
Trade payables	9,198	4,132	13,330
Other payables and accruals	144,420	38,390	182,810
Interest-bearing bank and other borrowings	322,538	–	322,538
Tax payables	–	22,407	22,407
	476,156	64,929	541,085
Non-current liabilities			
Deferred income	18,297	–	18,297
Deferred tax liabilities	7,242	–	7,242
	25,539	–	25,539
NET LIABILITIES DISPOSED OF	(379,804)	(36,441)	(416,245)

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

	HK$'000
Cash consideration received (equivalent to RMB2)	–
Cash and cash balances disposed of	(1)
Total cash outflow from disposal	(1)

29. RELATED PARTY TRANSACTIONS

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

(i) Transactions with related parties

	2023 HK$'000	2022 HK$'000
Purchases from former fellow subsidiaries		
– Corn starch and other raw materials (a)	–	125
Reimbursement of cost of utilities provided by a former fellow subsidiary (b)	61	210
Purchase from DDT Supply Chain		
– Corn starch (c)	13,453	–
Purchase from Ruihao (Guangzhou)		
– Sugar syrup (c)	7,146	–
Interest on amount payable to a former fellow subsidiary (d)	2,549	839
Rental to former fellow subsidiaries (e)	2,291	2,398
Licence fee paid to a former fellow subsidiary (f)	958	958

Remarks:

(a) There had been insignificant amount of continuing connected transactions in relation to the purchase of other raw materials from a former fellow subsidiary which were fully exempted from shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2022.

(b) There have been insignificant amount of continuing connected transactions in relation to reimbursement of cost of utilities provided by a former fellow subsidiary which are fully exempted from the shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules during the Year and for the year ended 31 December 2022.

(c) The Group sourced corn starch and sugar syrup from connected parties. These purchases were made at prices based on the Master Purchase Agreements between the parties.

(d) The amount payable to a former fellow subsidiary is unsecured, interest bearing at 6.0% – 8.0% per annum and has no fixed terms of repayment.

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

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

29. RELATED PARTY TRANSACTIONS *(continued)*

(ii) Balances with related parties

	Note	2023 HK$'000	2022 HK$'000
Due (to) from former fellow subsidiaries (a)		(15,686)	5,547
Amount payable to a former fellow subsidiary	29(i)(d)	(38,352)	(39,660)
Due to former fellow subsidiaries, net		(54,038)	(34,113)
Trade payable to DDT Supply Chain (b)		(14,472)	–
Trade payable to Ruihao (Guangzhou) (b)		(64,293)	–

Remarks:

(a) The amounts due from (to) former fellow subsidiaries are unsecured, interest-free and have no fixed term of repayment.

(b) The trade payable to related parties, Ruihao (Guangzhou) and DDT Supply Chain, are unsecured, interest-free and repayable on demand.

(iii) Compensation of key management personnel of the Group

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

30. 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	67,952	48,960
Financial assets included in prepayments, deposits and other receivables	99,017	7,756
Due from former fellow subsidiaries	–	5,547
Cash and bank balances	13,552	4,275
	180,521	66,538

	2023 HK$'000	2022 HK$'000
Financial liabilities at amortised cost		
Trade payables	138,045	85,882
Financial liabilities included in other payables and accruals	133,415	185,931
Amount payable to a former fellow subsidiary	38,352	39,660
Due to former fellow subsidiaries	15,686	–
Interest-bearing bank and other borrowings	440,910	795,353
Lease liabilities	172	1,123
	766,580	1,107,949

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

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

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

At the end of the reporting period, if interest rates had been 100 basis point higher/lower with all other variables held constant, the Group's profit before tax would have decreased/increased by HK$136,000/HK$27,000 (2022: loss before tax would have increased/decreased HK$3,293,000/HK$3,318,000).

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 (2022: 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 bank balances, 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.

Bank balances

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

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. Overdue balances are reviewed regularly by the management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances and the trade receivables are non-interest-bearing.

At the end of the reporting period, the Group had a concentration of credit risk as 17.8% (2022: 26.5%) and 58.4% (2022: 69.8%) of the Group's total trade receivables were due from the Group's largest customer and the five largest customers respectively.

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

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

At 31 December 2023

	Expected loss rate %	Gross carrying amount HK$'000	Loss Allowance HK$'000	Credit–impaired HK$'000
Not past due	0.4	66,548	(234)	No
Less than 1 month past due	0.6	1,637	(9)	No
1 to 9 months past due	–	10	–	No
Over 9 months past due	100.0	69,843	(69,843)	Yes
		138,038	(70,086)	

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Trade receivables *(continued)*

At 31 December 2022

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

The Group does not hold any collateral over trade receivables at 31 December 2023 and 2022.

At 31 December 2023, the Group recognised loss allowance of HK$70,086,000 (2022: HK$76,145,000) on the trade receivables. The movements in the loss allowance for trade receivables during the years are summarised below.

	Note	2023 HK$'000	2022 HK$'000
At 1 January		76,145	81,248
Increase in allowance	6	–	446
Reversal of allowance	6	(83)	–
Disposal of subsidiaries		(3,467)	–
Exchange realignment		(2,509)	(5,549)
At 31 December		70,086	76,145

Other receivables

The Group performs impairment assessment on other receivables from various parties based on 12-month or lifetime ECL based on assessed credit risk. The credit risk of 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Other receivables *(continued)*

	2023 HK$'000	2022 HK$'000
Deposits and other receivables	100,647	9,350
Loss allowance	(1,630)	(1,594)
	99,017	7,756

At 31 December 2023, the Group recognised loss allowance of HK$1,630,000 (2022: HK$1,594,000) on the other receivables based on lifetime ECL. The movements in the loss allowance on other receivables are summarised below.

	2023 HK$'000	2022 HK$'000
At 1 January	1,594	1,531
Increase in allowance	89	168
Exchange realignment	(53)	(105)
At 31 December	1,630	1,594

Liquidity risk

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

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

	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	–	46,860	91,185	–	–	138,045
Financial liabilities included in other payables and accruals	133,415	–	–	–	–	133,415
Interest-bearing bank and other borrowings	466,611	–	–	–	–	466,611
Amount payable to a former fellow subsidiary	38,352	–	–	–		38,352
Due to former fellow subsidiaries	15,686	–	–	–	–	15,686
Lease liabilities	–	174	–	–	–	174
	654,064	47,034	91,185	–	–	792,283
At 31 December 2022						
Trade payables	–	25,378	60,504	–	–	85,882
Financial liabilities included in other payables and accruals	185,931	–	–	–	–	185,931
Interest-bearing bank and other borrowings	614,672	27,959	218,457	–	–	861,088
Amount payable to a former fellow subsidiary	39,660	–	–	–	–	39,660
Lease liabilities	–	261	697	174	–	1,132
	840,263	53,598	279,658	174	–	1,173,693

31. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

32. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ registration and operation	Kind of legal entity	Registered/ paid up capital	Percentage of equity attributable to the Company	Principal activities
Directly held:					
Global Sweeteners (HK) Limited	Hong Kong	Limited liability company	HK$1,000	100 (2022: 100%)	General administration
Indirectly held:					
Dihao Foodstuff* (a)	The PRC	Limited liability company	Registered Capital RMB725,100,000 (Paid up: RMB307,574,472)	– (2022: 100%)	Manufacture and sale of corn sweeteners
Jinzhou Yuancheng*	The PRC	Limited liability company	United States Dollars ("**US$**") 62,504,000	100 (2022: 100%)	Manufacture and sale of corn refined products
Jinzhou Dacheng Food Development Co., Ltd.*	The PRC	Limited liability company	US$7,770,000	100 (2022: 100%)	Manufacture and sale of corn sweeteners
Shanghai Haocheng*	The PRC	Limited liability company	US$9,668,000	100 (2022: 100%)	Manufacture and sale of corn sweeteners

* Wholly-foreign-owned enterprise

Remark:

(a) Immediately upon the Dihao Completion took place on 21 December 2023, Dihao Foodstuff is no longer a subsidiary of the Group.

The English names of the above companies represent the best effort made by the Directors to translate the Chinese names as their names have not been registered officially in English.

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.

33. THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Investments in subsidiaries		–	–
Right-of-use asset		292	1,167
		292	1,167
Current assets			
Due from subsidiaries	33(a)	273,207	63,267
Prepayments, deposits and other receivables		383	430
Cash and cash equivalents		5	2
		273,595	63,699
Current liabilities			
Due to subsidiaries	33(a)	431,245	431,245
Other payables and accruals		4,329	1,849
Lease liabilities		172	951
Financial guarantee contracts		219,780	269,232
		655,526	703,277
Net current liabilities		(381,931)	(639,578)
Total assets less current liabilities		(381,639)	(638,411)
Non-current liabilities			
Lease liabilities		–	172
Financial guarantee contracts		–	41,844
		–	42,016
NET LIABILITIES		(381,639)	(680,427)
Capital and reserves			
Share capital		152,759	152,759
Reserves	33(b)	(534,398)	(833,186)
TOTAL DEFICIT		(381,639)	(680,427)

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

Wang Tieguang
Director

Kong Zhanpeng
Director

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

(a) Due from (to) the fellow subsidiaries

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

(b) Reserves

	Contributed surplus HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	491,695	1,074,879	(2,219,872)	(653,298)
Loss and total comprehensive loss for the year	–	–	(179,888)	(179,888)
At 31 December 2022 and 1 January 2023	491,695	1,074,879	(2,399,760)	(833,186)
Profit and total comprehensive income for the year	–	–	298,788	298,788
At 31 December 2023	491,695	1,074,879	(2,100,972)	(534,398)

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

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

34. EVENTS AFTER THE REPORTING PERIOD

On 28 December 2023, (i) Jilin Cinda, as creditor, (ii) Jinzhou Yuancheng, as debtor, and (iii) Shanghai Haocheng, as guarantor, entered into the Debt Restructuring Agreement, pursuant to which the Group has agreed to repay to Jilin Cinda RMB88.0 million for the settlement of the Yuancheng CCB Loans. The Group has transferred a total of RMB88.0 million on December 2023, to Jilin Cinda in advance for the purpose of the settlement of Yuancheng CCB Loans. Subsequent to the end of reporting period, Jilin Cinda confirmed in writing that terms and conditions stipulated in the Debt Restructuring Agreement have been fulfilled and the relevant debt restructuring has been completed in January 2024. As a result, the remaining balance of the Yuancheng CCB Loans together with interest have been waived and all repayment obligations of the Group have been fulfilled.

35. 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 consolidated financial statements are 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	440,813	359,567	728,099	769,024	1,956,820
Cost of sales	(404,195)	(332,300)	(686,511)	(691,158)	(1,749,180)
Gross profit	36,618	27,267	41,588	77,866	207,640
Other income and gains	11,476	14,078	145,690	309,129	18,371
Selling and distribution costs	(29,282)	(30,453)	(53,087)	(61,252)	(180,386)
Administrative expenses	(62,427)	(69,899)	(92,582)	(94,741)	(111,807)
Other expenses	(58,130)	(48,791)	(61,640)	(111,413)	(38,120)
Finance costs	(42,442)	(41,040)	(77,898)	(110,103)	(75,672)
(LOSS) PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	(144,187)	(148,838)	(97,929)	9,486	(179,974)
Income tax credit (loss)	4,367	7,431	1,667	(18,212)	17,404
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(139,820)	(141,407)	(96,262)	(8,726)	(162,570)
Profit (Loss) for the year from discountined operations	429,336	(71,084)	–	–	–
Profit (Loss) for the year	289,516	(212,491)	(96,262)	(8,726)	(162,570)
Profit (Loss) attributable to:					
Owners of the Company	289,516	(212,491)	(96,262)	(8,726)	(162,570)
Non-controlling interests	–	–	–	–	–
	289,516	(212,491)	(96,262)	(8,726)	(162,570)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
TOTAL ASSETS	575,357	687,107	935,077	1,304,524	1,398,974
TOTAL LIABILITIES	(957,212)	(1,368,074)	(1,435,652)	(1,729,382)	(1,810,385)
NON-CONTROLLING INTERESTS	5,931	5,931	6,382	6,225	5,794
	(375,924)	(675,036)	(494,193)	(418,633)	(405,617)

@ Details of the unmodified audit opinion with a material uncertainty related to going concern are set out in the independent auditor's report on page 57 to page 61.

^ 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.