

To: Business Editors

GLOBAL BIO-CHEM'S 2019 REVENUE REACHED HK\$4,561 MILLION, WITH A GROSS PROFIT OF HK\$204 MILLION

26 March 2020 – Affected by the African Swine Fever (“ASF”), Global Bio-chem Technology Group Company Limited (“Global Bio-chem” or “the Company”, stock code: 00809) together with its subsidiaries (the “Group”) reported a 19.4 per cent year-on-year decrease in revenue for the year ended 31 December 2019 (the “Year”) to HK\$4,561.4 million and a 21.6 per cent drop in gross profit to approximately HK\$203.5 million. Due to the recognition of a one-off compensation for the resumption of the disposal of land and buildings located in Luyuan District, Changchun during the Year, the net loss of Group was narrowed to HK\$1,116.3 million (2018: HK\$1,299.2 million), and recorded EBITDA (i.e. earning before interest, taxation, depreciation and amortisation) of HK\$32.4 million (2018: LBITDA (i.e. loss before interest, taxation, depreciation and amortisation): HK\$299.1 million).

The board of directors of Global Bio-chem does not recommend the payment of a final dividend for the Year (2018: nil).

During the Year, the Group’s downstream amino acids segment was hit under the influence of the ASF, while the sweeteners segment was challenged by intensified market competition. In particular, demand for lysine products in both the domestic market and the overseas market had shrunk significantly during the Year. In view of this, the Group has suspended the amino acids production since August 2019 to minimise cash outflow.

Despite the negative impact of the ASF, the Group managed to optimise its operation and focus on the upstream operation while lower the utilisation rate of the loss-making amino acids segment. As a result, the sales volume of corn starch and other corn refined products remained relatively stable, and the revenue of the upstream business slightly decreased by 3.1 per cent to approximately HK\$2,626.3 million. A relatively stable facility utilisation rate of the upstream operation, together with the increase in VAT deduction for upstream products in Jinzhou area during the Year have driven up the gross profit of the Group’s upstream business by 184.5 per cent year-on-year to approximately HK\$123.2 million.

Affected by the ASF, the sales volume of the Group’s amino acids for 2019 dropped by 38.6 per cent, while the average selling price decreased by 10.1 per cent. As a result, revenue from the amino acids segment decreased by 44.8 per cent year-on-year to approximately HK\$991.6 million. Coupled with the cost pressure from the upstream corn starch segment, the amino acids segment recorded a gross loss of approximately HK\$53.2 million (2018 gross profit: HK\$30.1 million).

During the Year, competition in the sweeteners market intensified with poor market sentiment, especially in the Northeast China region. As such, the Group has suspended the downstream production in the Jinzhou site since the third quarter of 2019 until the market conditions improve. Furthermore, a number of users in the Huadong area had opted for vertical integration and expanded upstream to secure their feedstocks, leading to intensified competition as market shrunk. Owing to the aforesaid factors, the Group’s corn sweeteners segment reported a 19.6 per cent year-on-year drop in sales volume, with a 18.1 per cent year-on-year decrease in revenue to approximately HK\$918.4 million and 33.4 per cent year-on-year decrease in gross profit to approximately HK\$113.7 million.

During the Year, the Group produced and sold a small amount of anti-freeze products, while continuing to digest its polyol chemicals inventory. The revenue of polyol chemicals segment declined by 19.6 per cent to approximately HK\$25.1 million. However, owing to substantial provision in relation to the closing inventories of polyol chemicals made in previous years, this segment recorded an increase of 26.1 per cent in gross profit to approximately HK\$19.8 million.

During the Year, the export sales accounted for 13.3 per cent (2018: 20.8 per cent) of the Group's total revenue. Affected by the outbreak of the ASF across Asia, the export sales of upstream products and amino acids decreased by 37.4 per cent and 55.6 per cent respectively to approximately HK\$168.8 million and HK\$ 380.9 million respectively during the Year. Export sales of corn sweetener products, on the other hand, increased by 13.3 per cent to approximately HK\$56.4 million, mainly attributable to the Group's enhanced capability in developing high value-added products for overseas market.

During the Year, the Company had actively negotiated with a number of potential investors to inject capital to the Company. In July 2019, the Company entered into a subscription agreement (the "Subscription Agreement") with HK Bloom Investment Limited (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new shares (the "Subscription Shares") at the subscription price of HK\$0.10 per Subscription Share (the "Subscription"). The Subscription was completed in August 2019, and the net proceeds from the Subscription of approximately HK\$127,900,000 have been utilised as the Group's general working capital.

In September 2019, the Company entered into another subscription agreement (the "Second Subscription Agreement") with the Subscriber, for the subscription of an aggregate of 1,228,607,685 new shares at the subscription price of HK\$0.1080 per subscription share (the "Second Subscription"). The funds to be raised from the Second Subscription could be used for the Group's general working capital purposes and further strengthening its financial position. However, due to the delay in the Subscriber making fund transfer for the payment of the subscription price for the Second Subscription as a result of the outbreak of the coronavirus disease (COVID-19), the Second Subscription is yet to be completed. The Company shall make further announcement as and when appropriate.

With respect to the debt-equity swap proposal, the Group was notified by the Bank of China Jilin Province Branch ("BOC Jilin Branch") in February 2020 that it has entered into a transfer agreement with Jilin Branch of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司吉林省分公司) (the "New Creditor"), pursuant to which BOC Jilin Branch has agreed to sell to the New Creditor, and the New Creditor has agreed to purchase, all of its rights and benefits of the loans with aggregate outstanding principal amount of RMB4,016.5 million (the "Transferred Loans") at a consideration of approximately RMB815.7 million as the first step of the debt restructuring plan. After the completion of the transfer of the Transferred Loans, the management of the Group will continue their discussion with the New Creditor, with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group. The Company expects to resolve the Transferred Loans by way of the debt restructuring plan by the end of the year ending 31 December 2020.

Regarding to the disposal of the land and buildings located in Luyuan District Changchun (the "Relevant Properties"), the Group has recognised a land resumption prepayment of approximately RMB377.0 million from the Potential Purchaser as compensation for the resumption of the Relevant Properties in the last quarter of 2019 upon the satisfaction of the Potential Purchaser

and the Changchun Municipal Government in relation to the progress of the relocation. It is expected that the realisation of a portion of the Relevant Properties will take place in 2020 and, should the disposal of the Relevant Properties be materialised, the Group will have additional funds to finance its operations and the capital expenditure for relocation of its production facilities in Changchun.

In February 2020, the Group announced that, in addition to the suspension of certain production facilities of the Group in Heilongjiang, Dehui and Jinzhou, due to the outbreak of the coronavirus disease (COVID-19), the operation of certain upstream and corn sweeteners production facilities in Xinglongshan of Changchun have been suspended. In view of the continuous impact of the epidemic of the coronavirus disease (COVID-19) on the daily economic activities in the PRC, the Group decided to continue the suspension of the relevant subsidiaries until market conditions improve. The Group will continue to monitor closely the development of the epidemics and market conditions, and will announce the updates on the operation resumption in due course.

“With the effect of the ASF expected to linger and the outbreak of the coronavirus disease, the outlook on feed related industry will be very challenging going forward. The Group will proactively look for opportunities to develop other amino acid products complementary to its current product mix and to cater to different types of animals. The Group believes this will provide flexibility and alternatives to current production facilities to enable the Group to respond quickly to market changes and to offer more choices and better services to our customers. To improve its financial position and ensure sustainable development, the Group will strive to materialize the debt restructuring plan and the disposal of the Relevant Properties, at the same time, introduce potential investors into the Group,” said Mr Yuan.

About Global Bio-chem

Global Bio-chem (stock code: 00809.HK) has been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 2001. The Group is principally engaged in the manufacture and sale, research and development of corn-based biochemical products in the People’s Republic of China (“PRC”). Headquartered in Hong Kong and with its production facilities based in various provinces in the PRC, Global Bio-chem is one of the leading corn-based biochemical product manufacturers worldwide. Global Bio-chem is also the parent company of Global Sweeteners Holdings Limited (stock code: 03889.HK), one of the largest corn sweeteners producers in the PRC, which is also listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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(Attached with: Global Bio-chem’s Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019)

Global Bio-chem Technology Group Company Limited
 (Stock Code: 00809)
Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2019

	For the year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4,561,391	5,657,726
Cost of sales	(4,357,862)	(5,398,016)
Gross profit	203,529	259,710
Other income and gains	684,375	321,630
Selling and distribution costs	(407,789)	(584,130)
Administrative expenses	(440,695)	(439,187)
Other expenses	(510,420)	(360,098)
Share of loss of a joint venture	(1,541)	—
Finance costs	(604,076)	(565,040)
LOSS BEFORE TAX	(1,076,617)	(1,367,115)
Income tax (expenses) credit	(39,717)	67,896
LOSS FOR THE YEAR	(1,116,334)	(1,299,219)
OTHER COMPREHENSIVE INCOME		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	95,923	195,209
Reclassification adjustment in respect of exchange reserve upon deemed disposal of a subsidiary	(975)	—
	94,948	195,209
Items that will not be reclassified subsequently to profit or loss:		
Gain on properties revaluation, net	157,313	—
Income tax effect	(39,329)	—
	117,984	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	212,932	195,209
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(903,402)	(1,104,010)
Loss attributable to:		
Owners of the Company	(1,067,819)	(1,222,322)
Non-controlling interests	(48,515)	(76,897)
	(1,116,334)	(1,299,219)
Total comprehensive loss attributable to:		
Owners of the Company	(877,929)	(1,040,349)
Non-controlling interests	(25,473)	(63,661)
	(903,402)	(1,104,010)

Press Release



LOSS PER SHARE

Basic

HK(15.5) cents

HK(19.1) cents

Diluted

HK(15.5) cents

HK(19.1) cents