

To: Business Editors

GLOBAL BIO-CHEM MAKES A BREAKTHROUGH IN DEBT RESTRUCTURING DEAL 2020 REVENUE RECORDED HK\$849 MILLION

31 March 2021 – Global Bio-chem Technology Group Company Limited (“Global Bio-chem” or “the Company”, stock code: 00809) together with its subsidiaries (the “Group”) reported its audited consolidated results for the year ended 31 December 2020 (the “Year”). The Group’s revenue for the Year decreased by 81.4 per cent year-on-year to HK\$848.9 million; gross profit decreased by 63.6 per cent to approximately HK\$74.1 million.

During the Year, due to the continued impact of COVID-19, the slowdown of PRC economic growth and the Group’s tight operating cash flow as a result of the prolonged challenging operating environment, most of the Group’s production facilities had been suspended. The Group’s sales volume therefore dropped significantly, leading to significant decline in revenue and gross profit. Moreover, heavy finance costs due to increases in interest on trade payables and default interest continued to weigh on the Group’s performance during the Year. In addition, a one-off loss of HK\$728.2 million in relation to the modification of the convertible bonds subscribed by Modern Agricultural Industry Investment Limited in October 2015 had been recognised during the Year. As a result, the Group reported a net loss of approximately HK\$ 2,433.3 million (2019: HK\$1,116.3 million) and a loss before interest, taxation, depreciation and amortisation (“LBITDA”) of approximately HK\$1,229.2 million (2019 EBITDA: HK\$32.4 million) during the Year.

The board of directors of Global Bio-chem does not recommend the payment of a final dividend for the Year (2019: nil).

Rising corn cost, economic slowdown and shrunken demand for the Group’s products had made it not commercially viable to continue with its upstream operations during the Year. As such, the Group had suspended the upstream operations, leading to a significant decline in sales volume. The revenue and gross profit of the Group’s upstream business decreased by approximately 90.5 per cent and 85.2 per cent year-on-year to approximately HK\$248.6 million and HK\$18.3 million respectively.

In view of the continued impact of the outbreak of the African Swine Fever (“ASF”) and the COVID-19 pandemic, the Group had suspended the production operation of amino acid products and continued to sell its inventory to minimise cash outflow. During the Year, only an insignificant sales volume of amino acids products was recorded as most of the inventory had been exhausted prior to the Year. As a result, the revenue of the amino acids segment dropped to approximately HK\$36.6 million (2019: HK\$991.6 million), with a gross profit of approximately HK\$1.4 million (2019: gross loss: HK\$53.2 million).

Competition in the sweeteners market remained keen during the Year. Moreover, the expiry of the extra tariff on out-of-quota sugar imports also attracted more imported sugar into the PRC during the Year. As a result, the average selling price of sweetener products dropped. Revenue and gross profit from the corn sweeteners segment for the Year decreased to approximately HK\$558.1 million (2019: HK\$918.4 million) and approximately HK\$52.0 million (2019: HK\$113.7 million)

respectively. To mitigate the situation, the Group had suspended most of the sweeteners production facilities in low profit margin region in Northeast China and consolidated its resources in the Shanghai production base, which had higher operational efficiency.

The Group had suspended most of its polyol chemicals production since March 2014. During the Year, the Group produced and sold a small amount of anti-freeze products. The revenue of the polyol chemicals segment declined by 77.7 per cent to approximately HK\$5.6 million during the Year. However, owing to substantial provision in relation to the closing inventories of polyol chemicals made in previous years, the polyol chemicals segment recorded a gross profit of approximately HK\$2.4 million (2019: HK\$19.8 million).

During the Year, export sales accounted for 4.5 per cent (2019: 13.3 per cent) of the Group's total revenue. Due to the suspension of most of the Group's production facilities, the export sales of upstream products, amino acids and corn sweeteners decreased by 86.7 per cent, 98.6 per cent and 81.0 per cent to approximately HK\$22.5 million, HK\$5.4 million and HK\$10.7 million respectively.

In April 2020, HK Bloom Investment Limited completed the second subscription for 1,228,607,685 new shares of the Company at the subscription price of HK\$0.1080 per subscription share. The net proceeds of approximately HK\$132.0 million helped relieve part of the financial pressure of the Group and fuel the Group's operation and development.

Regarding the first phase of resumption (the "Dihao Resumption") which involved the properties owned by Changchun Dihao Foodstuff Development Co., Ltd. ("Dihao Foodstuff"), a subsidiary of Global Sweeteners Holdings Limited ("GSH") together with its subsidiaries (the "GSH Group"), Dihao Foodstuff is expected to receive a total compensation of approximately RMB443.0 million. As at 31 March 2021, all the compensation in the amount of RMB443.0 million has all been received by Dihao Foodstuff. The proceeds from the Dihao Resumption will provide additional funds to relieve the financial and cashflow pressure of the Group during the period of suspension and provide part of the funding for the capital expenditure for the relocation of the Group's production facilities in Changchun.

With respect to the debt restructuring plan, after the completion of the transfer of the BOC Transferred Loans from Jilin Branch of China Cinda Asset Management Co., Ltd ("China Cinda") to Changchun Rudder Investment Group Co., Ltd. ("Changchun Rudder"), a company controlled by the Changchun Municipal Government (the "Local Government"), the Group (excluding the GSH Group), the GSH Group and Changchun Dajincang Corn Procurement Co., Ltd. ("Dajincang") each entered into agreements (the "Repurchase Agreements") with Changchun Rudder for the purchase of each of their respective portions of the BOC Transferred Loans. The consideration of the respective portions of the BOC Transferred Loans of the Group (excluding the GSH Group) and the GSH Group amounted to RMB701,490,000 and RMB113,510,000 respectively, which will be financed by the respective proceeds from the compensation for the resumption of the land and buildings of the Group and the GSH Group in Luyuan District, Changchun. The completion of the Repurchase Agreements took place on 31 March 2021. With respect to the Financial Guarantees jointly provided by certain subsidiaries of the Group and the GSH Group (the "Guarantor Subsidiaries") for the indebtedness of Dajincang, the obligations of the Group and the GBT Group as guarantors have been discharged upon the completion of the Repurchase Agreement entered

into between Changchun Rudder and Dajincang. As a result, as confirmed by the auditors of the Company, the disclaimer opinion in relation to the Financial Guarantee Contracts on the Group's consolidated financial statements for the year ending 31 December 2021 will be removed. However, the auditor of the Company may be unable to determine whether any adjustments in respect of the Financial Guarantee Contracts as at 31 December 2020 are necessary, which may have a significant impact on the financial position of the Group as at 31 December 2020, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ending 31 December 2021.

"The completion of the Repurchase Agreement marked a significant milestone of the Group towards improving the Group's financial position, as all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been discharged. To improve the financial position of the Group, the Group will endeavour to facilitate similar arrangement to the Repurchase Agreements for the outstanding debts owed to other major lending banks. With respect to the suspension of the Group's production facilities, the Group will continue to monitor the development of the COVID-19 pandemic as well as market conditions, and will ensure the operation of the Group's subsidiaries to resume as soon as practicable. The Group will also take the opportunity of the relocation of the production facilities in Changchun and utilise its research and development capabilities to update its product mix and production capacity to better suit current market needs for the sustainable development of the Group," said Mr Zhang Zihua, the Acting Chairman of Global Bio-chem.

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020)

Global Bio-chem Technology Group Company Limited
 (Stock Code: 00809)
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
REVENUE	848,867	4,561,391
Cost of sales	(774,767)	(4,357,862)
Gross profit	74,100	203,529
Other income and gains	389,748	684,375
Selling and distribution costs	(85,876)	(407,789)
Administrative expenses	(362,313)	(440,695)
Other expenses	(971,237)	(510,420)
Loss on modification of convertible bonds	(728,190)	—
Share of loss of a joint venture	(2,332)	(1,541)
Finance costs	(724,826)	(604,076)
LOSS BEFORE TAX	(2,410,926)	(1,076,617)
Income tax expenses	(22,340)	(39,717)
LOSS FOR THE YEAR	(2,433,266)	(1,116,334)
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	(350,555)	95,923
Reclassification adjustment in respect of exchange reserve upon deregistration/deemed disposal of a subsidiary	401	(975)
	(350,154)	94,948
Items that will not be reclassified subsequently to profit or loss:		
Gain on properties revaluation, net	—	157,313
Income tax effect	—	(39,329)
	—	117,984
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX	(350,154)	212,932
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2,783,420)	(903,402)
Loss attributable to:		
Owners of the Company	(2,429,949)	(1,067,819)
Non-controlling interests	(3,317)	(48,515)
	(2,433,266)	(1,116,334)
Total comprehensive loss attributable to:		
Owners of the Company	(2,775,616)	(877,929)
Non-controlling interests	(7,804)	(25,473)
	(2,783,420)	(903,402)

Press Release



LOSS PER SHARE

Basic

HK(28.6) cents

HK(15.5) cents

Diluted

HK(28.6) cents

HK(15.5) cents