

GLOBAL BIO-CHEM POSTED 2020 FIRST HALF REVENUE OF HK\$479 MILLION

27 August 2020 – Global Bio-chem Technology Group Company Limited (“Global Bio-chem” or the “Company”, stock code: 00809) together with its subsidiaries (the “Group”) reported a 82.9 per cent year-on-year decrease in revenue to approximately HK\$479.1 million for the six months ended 30 June 2020 (the “Period”) due to the significant decrease in sales volume. During the Period, due to the poor market sentiment as a result of the outbreak COVID-19, economic slowdown and high raw material cost, the Group has suspended most of its production facilities. The significant drop in sales volume has dragged down its gross profit by 24.0 per cent to approximately HK\$40.9 million. This together with high finance costs due to high debt level had resulted in a net loss of approximately HK\$902.8 million (2019: HK\$838.2 million) and a loss before interest, taxation, depreciation and amortisation (“LBITDA”) of approximately HK\$317.6 million (2019: HK\$268.1 million) for the Period.

During the Period, the Group has been selling mainly its inventory produced in the last quarter of 2019 when corn price was lower as compared to the Period’s. In addition, the expenses in relation to suspension of operation has been allocated to other expense. The Group’s average cost of sales dropped and gross profit margin improved by 6.6 percentage points to 8.5 per cent (2019: 1.9 per cent).

The board of directors of Global Bio-chem does not recommend the payment of any interim dividend for the period (2019: Nil).

During the first quarter of 2020, the lockdown measures in most of the cities in the PRC has led to delay in transportation of raw materials and goods and delayed corn auction in the PRC. The temporary shortage of corn kernels has driven up the corn price in China. As a result, the Group had suspended all of its upstream operations since the second quarter of 2020, leading to a significant drop in sales volume. As such, the revenue and gross profit of the Group’s upstream business decreased by 83.4 per cent and 46.9 per cent to approximately HK\$239.6 million and HK\$15.3 million respectively.

In view of the poor market sentiments in feed and husbandry industries as a result of the African Swine Fever (the “ASF”) and COVID-19 outbreaks, the Group continued to suspend its amino acids operation to minimise cash outflow. During the Period, only an insignificant sales volume of amino acids products was recorded as most of the inventory had been exhausted prior to the Period. As a result, the revenue of the amino acids segment dropped to approximately HK\$9.3 million (2019: HK\$888.0 million), with gross loss narrowed to approximately HK\$0.2 million (2019: HK\$34.7 million).

Competition in the sweeteners market remained keen since 2019, especially in the low profit margin region such as Northeast China. As such, the Group had suspended most of its sweeteners production facilities in Northeast China and consolidated its resources in the Shanghai production base. During the Period, the corn sweeteners segment recorded decreases in revenue to approximately HK\$228.9 million (2019: HK\$465.6 million) and gross profit to approximately HK\$25.5 million (2019: HK\$57.9 million).

The Group suspended most of its polyol chemicals production since March 2014, as high corn price in the past years had lowered the competitiveness of corn based polyols as compared to traditional petroleum based polyols. During the Period, the Group produced and sold a small amount of anti-freeze products, and continued to sell its polyol chemicals inventory. The revenue of polyol chemicals segment declined by 66.7 per cent to approximately HK\$1.3 million. However, as substantial provision in relation to the closing inventories of polyol chemicals made in previous years, this segment recorded a gross profit of approximately HK\$0.3 million (2019: HK\$1.8 million).

During the Period, export sales accounted for 6.3 per cent (2019: 16.6 per cent) of the Group's total revenue. Due to the suspension, the export sales of upstream products, amino acids and corn sweeteners decreased by 76.9 per cent, 98.4 per cent and 90.2 per cent to approximately HK\$22.1 million, HK\$5.4 million and HK\$3.0 million respectively during the Period.

Subsequent to the second subscription completion on 29 April 2020, the Company issued 1,228,607,685 new ordinary shares at the subscription price of HK\$0.1080 per subscription share, with the net proceeds amounting to approximately HK\$132,000,000. The net proceeds have been utilised as general working capital of the Group.

With respect to the debt restructuring plan, after the completion of the transfer of the Transferred Loans, the management of the Group continues to explore the next step of the debt restructuring plan with the aim to improve the financial position of the Group. The debt restructuring plan is also well-supported by the government. and the other principal lending banks in Changchun were encouraged to follow the debt restructuring plan of BOC Jilin Branch.

During the Period, the management of the Group has been working on facilitating similar arrangement of the Transferred Loans for the outstanding debts and the indebtedness owed to other major lending banks. It is expected that the transfer of the indebtedness owed by the Group to other major lending banks will be completed in 2020.

Regarding the resumption of land and buildings in Luyuan District Changchun (the "Relevant Properties"), a meeting was held in June 2020, at which it was agreed that the Changchun Land Reserve Centre and the Local Government should speed up the settlement of the remaining

balance of the outstanding receivable of approximately RMB400.0 million to the Group. As of today, the Group has received approximately RMB200.0 million from the Local Government and the remaining amount is expected to be received by the end of 2020.

During the Period, the Local Government issued a notice regarding the first phase of resumption (the “Dihao Resumption”) involved the properties owned by Changchun Dihao Foodstuff Development Co., Ltd. The Group is expected to receive a total compensation of approximately RMB443.0 million upon the resumption of the aforesaid properties. The proceeds from the Dihao Resumption will provide additional funds to relieve the financial and cashflow pressure of the Group during period of suspension and provide part of the funding for the capital expenditure for the relocation of the Group’s production facilities in Changchun.

“As COVID-19 pandemic is expected to pose unknowns to the global economy in 2020 and the effects of the ASF continue to linger, the Group anticipates that its business will continue to face severe challenges in the second half of the year. The Group will continue to closely monitor the development of the pandemic, the market conditions and its financial conditions, and strive to resume its suspended operations as soon as practicable. The Group will also strive to materialise the debt restructuring plan to achieve significant improvement of the financial position of the Group and speed up the resumption of the Relevant Properties to raise funding for its operation needs and capital expenditure for the relocation of its production facilities in Changchun,” said Mr Yuan Weisen, the 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 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2020)

Global Bio-chem Technology Group Company Limited
(Stock Code: 00809)
Condensed Consolidated Statement of Profit or Loss and
Other Comprehensive Income
For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
REVENUE	479,135	2,799,444
Cost of sales	<u>(438,231)</u>	<u>(2,745,683)</u>
Gross profit	40,904	53,761
Other income and gains	31,749	80,737
Selling and distribution costs	(54,049)	(247,701)
Administrative expenses	(180,253)	(212,517)
Other expenses	(379,593)	(210,967)
Share of loss of a joint venture	(1,270)	(394)
Finance costs	<u>(360,331)</u>	<u>(301,160)</u>
LOSS BEFORE TAX	(902,843)	(838,241)
Income tax expenses	<u>-</u>	<u>-</u>
LOSS FOR THE PERIOD	(902,843)	(838,241)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	<u>45,286</u>	<u>29,146</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(857,557)</u>	<u>(809,095)</u>
LOSS ATTRIBUTABLE TO:		
Owners of the Company	(848,412)	(800,581)
Non-controlling interests	<u>(54,431)</u>	<u>(37,660)</u>
	<u>(902,843)</u>	<u>(838,241)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
Owners of the Company	(805,111)	(774,405)
Non-controlling interests	<u>(52,446)</u>	<u>(34,690)</u>
	<u>(857,557)</u>	<u>(809,095)</u>
LOSS PER SHARE		
Basic	<u>HK(10.5) cents</u>	<u>HK(12.5) cents</u>
Diluted	<u>HK(10.5) cents</u>	<u>HK(12.5) cents</u>