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GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司^{*}

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 03889)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS	Six months ended 30 June		Change %
	2019	2018	
	(Unaudited)	(Unaudited)	
Revenue (HK\$'Mn)	876.0	894.5	(2.1%)
Gross profit (HK\$'Mn)	80.7	56.8	42.1%
Loss before tax (HK\$'Mn)	(102.6)	(132.0)	N/A
Loss for the period (HK\$'Mn)	(102.6)	(132.8)	N/A
Basic loss per share (HK cents)	(6.7)	(8.7)	N/A
Interim dividend per share (HK cents)	Nil	Nil	N/A

** For identification purposes only*

The board (the “Board”) of directors (the “Directors”) of Global Sweeteners Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019 (the “Period”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	876,003	894,474
Cost of sales		<u>(795,256)</u>	<u>(837,707)</u>
Gross profit		80,747	56,767
Other income and gains	4	9,386	12,548
Selling and distribution costs		(77,066)	(89,310)
Administrative expenses		(54,571)	(57,242)
Other expenses		(23,793)	(20,727)
Finance costs	5	<u>(37,337)</u>	<u>(34,078)</u>
LOSS BEFORE TAX	6	(102,634)	(132,042)
Income tax expenses	7	<u>—</u>	<u>(786)</u>
LOSS FOR THE PERIOD		<u>(102,634)</u>	<u>(132,828)</u>
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of financial statements of operations outside Hong Kong		<u>2,079</u>	<u>7,580</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u><u>(100,555)</u></u>	<u><u>(125,248)</u></u>

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(102,634)	(132,828)
Non-controlling interests		—	—
		<u> </u>	<u> </u>
		(102,634)	(132,828)
		<u> </u>	<u> </u>
TOTAL COMPREHENSIVE (LOSS) INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		(100,555)	(125,326)
Non-controlling interests		—	78
		<u> </u>	<u> </u>
		(100,555)	(125,248)
		<u> </u>	<u> </u>
LOSS PER SHARE		8	
Basic		<u>HK(6.7) cents</u>	<u>HK(8.7) cents</u>
Diluted		<u>HK(6.7) cents</u>	<u>HK(8.7) cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		770,995	798,859
Prepaid land lease payments		—	130,650
Right-of-use assets		140,935	—
Deposits paid for acquisition of property, plant and equipment		1,148	5,254
Goodwill		—	—
Other intangible assets		1,704	1,704
		<u>914,782</u>	<u>936,467</u>
CURRENT ASSETS			
Inventories		310,846	255,041
Trade and bills receivables	10	135,854	204,724
Prepayments, deposits and other receivables	11	116,733	76,482
Pledged bank deposits		57,581	79,433
Cash and bank balances		26,193	20,120
		<u>647,207</u>	<u>635,800</u>
CURRENT LIABILITIES			
Trade and bills payables	12	474,896	446,957
Other payables and accruals		272,513	241,582
Interest-bearing bank borrowings		622,159	826,378
Lease liabilities		5,603	—
Due to fellow subsidiaries		151,430	120,577
Tax payables		23,144	24,324
		<u>1,549,745</u>	<u>1,659,818</u>
NET CURRENT LIABILITIES		<u>(902,538)</u>	<u>(1,024,018)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,244</u>	<u>(87,551)</u>

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		385,227	182,954
Lease liabilities		912	—
Deferred income		29,307	31,955
Deferred tax liabilities		10,759	10,759
		<u>426,205</u>	<u>225,668</u>
NET LIABILITIES		<u>(413,961)</u>	<u>(313,219)</u>
CAPITAL AND RESERVES			
Share capital	13	152,759	152,759
Reserves		(560,789)	(460,047)
Deficit attributable to owners of the Company		(408,030)	(307,288)
Non-controlling interests		(5,931)	(5,931)
TOTAL DEFICIT		<u>(413,961)</u>	<u>(313,219)</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability 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 Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, 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 Period.

The Company is a subsidiary of Global Corn Bio-chem Technology Company Limited, a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company is Global Bio-chem Technology Group Company Limited ("GBT", and together with its subsidiaries, the "GBT Group"), a company incorporated in the Cayman Islands whose shares are also listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK\$102.6 million (six months ended 30 June 2018: approximately HK\$132.8 million) for the Period and as at 30 June 2019, had net current liabilities of approximately HK\$902.5 million (31 December 2018: approximately HK\$1,024.0 million) and net liabilities of approximately HK\$414.0 million (31 December 2018: approximately HK\$313.2 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 14 may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee of the Company (the "Audit Committee") after its critical review of the management's position, the management of the Company has taken the following steps to improve the Group's financial position:

(1) Active negotiations with banks to obtain adequate bank borrowings and to finalise the debt-equity swap proposal

The management of the Company has been actively negotiating with banks in the People's Republic of China (the "PRC" or "China") to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. In addition, Mr. Yuan Weisen, the chairman of GBT, met with the representatives of 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") on behalf of the Group and the GBT Group regularly during 2018. The debt-equity swap proposal had also been discussed amongst BOC, the People's Government of Jilin Province, the relevant professional parties and the management of the Company on a regular basis. Subsequently, the further revised debt-equity swap proposal ("Further Revised Debt-Equity Swap Proposal") was submitted by the Group and the GBT Group to the Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group and the GBT Group, the introduction of strategic investor(s) in order to strengthen the capital of the Group and other alternatives to resolve the audit modification in respect of the financial guarantee contracts, such as the option to include the indebtedness of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.) ("Dajincang") in the debt-equity swap proposal. The Further Revised Debt-Equity Swap Proposal has been reviewed by the Bank of China Jilin Province Branch and further submitted to the People's Government of Jilin Province in August 2018 for their consideration.

On 1 February 2019, a meeting amongst the representatives of the principal lending banks of the Group and the GBT Group in the PRC, 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province) ("Jilin SASAC"), 吉林省地方金融監督管理局 (Jilin Province Local Financial Supervision Administration), 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.) ("Nongtou", together with its subsidiaries the "Nongtou Group"), and the management of the Group and the GBT Group was held in Changchun, in which the parties acknowledged the direction of the Further Revised Debt-Equity Swap Proposal and reinstated their intention to push through the execution of such proposal. The principal lending banks also confirmed at the meeting that during this transitional period, they would continue their support to the Group and the GBT Group and agreed (1) not to withdraw any banking facilities already provided; (2) to take all possible measures to ensure the renewal of all existing bank borrowings; and (3) to allow interest payment to be settled annually instead of monthly so as to ease the pressure of cash flow of the Group and the GBT Group.

Subsequent to the meeting on 1 February 2019, the parties have been actively working on the details of the Further Revised Debt-Equity Swap Proposal. As at the date of this announcement, the negotiation about the Further Revised Debt-Equity Swap Proposal is still on-going, pending the finalisation of the details and the conditions with the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group and the GBT Group in the PRC. The Company will endeavour to facilitate the materialisation of the Further Revised Debt-Equity Swap Proposal which shall resolve the audit modification in respect of the financial guarantee contracts as discussed in note 14 and the material uncertainty related to the going concern of the Group and it is targeted that the Further Revised Debt-Equity Swap Proposal will be concluded by the end of 2019, subject to the due approvals from the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group and the GBT Group.

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

The Group has taken various measures to enhance its operational efficiency, especially in the Jinzhou site and the Xinglongshan site, to lower operating costs and strengthen the competitiveness of the Group. During the Period, the Group has also optimised its production in order to minimise operating cash outflows.

(3) Financial support from the indirect major shareholder of GBT

The Group has received a renewed written confirmation dated 30 June 2019 from Nongtou, the indirect major shareholder of GBT, that it would continue to provide financial support to the Group and the GBT Group in the following 24 months on a going concern basis and undertake all the liabilities that might arise from the financial guarantee contracts as discussed in note 14. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group signed a corn purchasing contract for an amount of 500,000 metric tonnes ("MT") of corn kernels with a subsidiary of Nongtou in January 2019, to ensure a stable supply of corn kernels. During the Period, the Group purchased approximately 150,000 MT of corn kernels from a subsidiary of Nongtou which aggregately accounted for 64.0% of total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 30 June 2019 amounted to RMB1,446.5 million (31 December 2018: RMB1,468.2 million). It is tasked to consolidate the state-owned investments in the agricultural sector in the Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group and the GBT Group.

The validity of the going concern assumption on which the interim condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. The Directors proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group has sufficient working capital for at least 12 months from the date of this announcement. Therefore, the interim condensed consolidated financial statements of the Group have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the interim condensed consolidated statement of financial position. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in preparing the interim condensed consolidated financial statements for the Period are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group and are effective for the Group's financial year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs	2015-2017 Cycle

Except for HKFRS 16 which is explained below, the adoption of the new/revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the Period and prior years.

HKFRS 16 "Leases"

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the interim condensed consolidated statement of cash flows applying HKAS 7.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the financial impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 January 2019. The Group has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied for the periods from 1 January 2019 (i.e. the date of initial application) onwards. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts at 1 January 2019 in equity.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	<i>HK\$ '000</i>
Operating lease commitment at 31 December 2018 and gross lease liabilities at 1 January 2019	9,355
Discounting	<u>(372)</u>
Lease liabilities at 1 January 2019	<u><u>8,983</u></u>

The adjustments resulted from the initial application of HKFRS 16 at 1 January 2019 are set out below. The prior period amounts were not adjusted.

	31 December 2018 (Audited) <i>HK\$ '000</i>	HKFRS 16 Reclassification <i>HK\$ '000</i>	HKFRS 16 Contract capitalisation <i>HK\$ '000</i>	1 January 2019 (Unaudited) <i>HK\$ '000</i>
Assets				
Prepaid land lease payments	130,650	(130,650)	—	—
Prepayments, deposits and other receivables	7,422	(7,422)	—	—
Right-of-use assets	<u>—</u>	<u>138,072</u>	<u>8,796</u>	<u>146,868</u>
	<u><u>138,072</u></u>	<u><u>—</u></u>	<u><u>8,796</u></u>	<u><u>146,868</u></u>
Liabilities				
Lease liabilities				
— Non-current portion	—	—	2,580	2,580
— Current portion	<u>—</u>	<u>—</u>	<u>6,403</u>	<u>6,403</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>8,983</u></u>	<u><u>8,983</u></u>
Equity				
Accumulated losses	<u><u>(1,983,273)</u></u>	<u><u>—</u></u>	<u><u>(187)</u></u>	<u><u>(1,983,460)</u></u>

Modified retrospective application of HKFRS 16 requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rates of 2.4% and 4.3% at the date of initial application for those leases located in Hong Kong and the PRC respectively.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (six months ended 30 June 2018: three) reportable operating segments as follows:

- (i) the corn refined products segment which comprises the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products; and
- (ii) the corn sweeteners segment which comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup and maltodextrin.

The management, who is the chief operating decision-maker, monitors the results of the Group's operating segments separately for the purpose of making decisions in relation to resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs as well as corporate income and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the then prevailing selling prices used for sales made to third parties.

(a) Operating segment information

For the six months ended 30 June

	Corn refined products		Corn sweeteners		Trading		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	410,375	331,820	465,628	562,184	—	470	876,003	894,474
Intersegment sales	81,011	204,157	56,505	49,914	—	—	137,516	254,071
	<u>491,386</u>	<u>535,977</u>	<u>522,133</u>	<u>612,098</u>	<u>—</u>	<u>470</u>	<u>1,013,519</u>	<u>1,148,545</u>
<i>Reconciliation:</i>								
Elimination of intersegment sales							(137,516)	(254,071)
Revenue							<u>876,003</u>	<u>894,474</u>
Segment results	<u>(16,560)</u>	<u>(65,887)</u>	<u>(42,473)</u>	<u>(25,836)</u>	<u>—</u>	<u>72</u>	<u>(59,033)</u>	<u>(91,651)</u>
<i>Reconciliation:</i>								
Unallocated bank interest and other corporate income							341	4
Corporate and other unallocated expenses							(6,605)	(6,317)
Finance costs							<u>(37,337)</u>	<u>(34,078)</u>
Loss before tax							<u>(102,634)</u>	<u>(132,042)</u>
Income tax expenses							<u>—</u>	<u>(786)</u>
Loss for the period							<u>(102,634)</u>	<u>(132,828)</u>

(b) Geographical information

For the six months ended 30 June

	The PRC		Asian and other regions		Total	
	2019	2018	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Revenue from external customers	<u>810,313</u>	<u>826,039</u>	<u>65,690</u>	<u>68,435</u>	<u>876,003</u>	<u>894,474</u>

4. REVENUE, OTHER INCOME AND GAINS

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Revenue from contracts with customers within HKFRS 15			
Sale of goods	(a)	876,003	894,474
Other income and gains			
Amortisation of deferred income		2,709	99
Bank interest income		341	769
Gains arising from sale of packing materials and by-products, net		1,504	96
Government grants	(b)	105	—
Subcontracting income		2,018	2,072
Reversal of impairment of trade and bills receivables, net		861	8,614
Reversal of impairment of prepayments, deposits and other receivables, net		—	335
Others		1,848	563
Total		9,386	12,548

Notes:

- (a) The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.
- (b) Government grants represent rewards to certain subsidiaries of the Company located in the PRC with no further obligations and conditions to be complied with.

5. FINANCE COSTS

An analysis of finance costs of the Group is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on interest-bearing bank borrowings	27,861	28,864
Interest on trade payables	8,705	5,138
Finance costs for discounting bills receivables	611	76
Interest on lease liabilities	160	—
	<u>37,337</u>	<u>34,078</u>
Total	<u><u>37,337</u></u>	<u><u>34,078</u></u>

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	792,558	834,341
Depreciation of property, plant and equipment	37,524	40,319
Depreciation on right-of-use assets	6,145	—
Amortisation of prepaid land lease payments	—	3,804
Amortisation of deferred income	(2,709)	(99)
Loss on disposal of property, plant and equipment, net	17	44
Foreign exchange loss, net	142	177
Write-down of inventories, net, included in cost of sales	7,091	1,827
Reversal of impairment of trade and bills receivables, net	(861)	(8,614)
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	1,631	(335)
Corn subsidies, included in cost of sales	—	(990)
	<u>1,631</u>	<u>(335)</u>
	<u><u>—</u></u>	<u><u>(990)</u></u>

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax — The PRC enterprise income tax	—	786
Income tax expenses	—	786

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Period and six months ended 30 June 2018.

No provision of the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax loss during the Period (six months ended 30 June 2018: The PRC enterprise income tax was provided at the rate of 25%).

8. LOSS PER SHARE

The calculation of the basic loss per share for the Period is based on the loss attributable to owners of the Company for the Period of approximately HK\$102,634,000 (six months ended 30 June 2018: HK\$132,828,000) and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 shares (six months ended 30 June 2018: 1,527,586,000 shares).

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the Period and the six months ended 30 June 2018.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2018: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables	208,588	274,285
Bills receivables	1,457	6,186
	210,045	280,471
Loss allowance	(74,191)	(75,747)
	135,854	204,724

The Group normally grants credit terms of 30 to 90 days (31 December 2018: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group.

Trade and bills receivables are non-interest-bearing. At the end of the reporting period, the Group had a concentration of credit risk as 20.1% (31 December 2018: 17.5%) and 55.7% (31 December 2018: 45.8%) of the total trade and bills receivables were due from the Group's largest customer and the five largest customers respectively.

Ageing analysis of the trade and bills receivables at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 1 month	93,747	140,483
1 to 2 months	35,033	43,996
2 to 3 months	4,870	12,572
Over 3 months	2,204	7,673
	135,854	204,724

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Prepayments	24,683	27,233
Deposits and other debtors	59,561	5,703
The PRC value-added tax ("VAT") and other tax receivables	32,489	36,124
Current portion of prepaid land lease payments	—	7,422
	116,733	76,482

12. TRADE AND BILLS PAYABLES

		30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
	<i>Notes</i>		
Trade payables			
— To third parties	(a)	196,497	204,572
— To Nongtou Group	(b)	221,581	163,046
		418,078	367,618
Bills payables		56,818	79,339
		474,896	446,957

Notes:

- (a) At 30 June 2019, the trade payables to third parties included balances payable to a state-owned supplier of HK\$79.7 million (31 December 2018: HK\$79.7 million), which are unsecured and interest-bearing at 8.0% to 9.0% per annum (31 December 2018: 8.0% to 9.0% per annum) after the credit periods lapsed.
- (b) The trade payables to Nongtou Group are unsecured and interest-bearing at 8.5% per annum (31 December 2018: 8.0% per annum) after the credit periods lapsed.

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2018: 30 to 90 days) from its suppliers.

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

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Within 1 month	53,584	209,231
1 to 2 months	111,262	67,563
2 to 3 months	76,732	2,632
Over 3 months	233,318	167,531
	474,896	446,957

13. SHARE CAPITAL

	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Authorised:		
100,000,000,000 (31 December 2018: 100,000,000,000) ordinary shares of HK\$0.10 each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
1,527,586,000 (31 December 2018: 1,527,586,000) ordinary shares of HK\$0.10 each	<u>152,759</u>	<u>152,759</u>

14. FINANCIAL GUARANTEE CONTRACTS

長春帝豪食品發展有限公司(Changchun Dihao Foodstuff Development Co., Limited) (“Dihao Foodstuff”), a subsidiary of the Company, together with certain fellow subsidiaries of GBT have jointly provided corporate guarantees to a bank in the PRC in respect of banking facilities granted to Dajincang starting from year 2010. The maximum amount of the banking facilities was RMB2.5 billion at 30 June 2019 (31 December 2018: RMB2.5 billion). The Directors have tried to engage a professional valuer to assess the fair value of the financial guarantee contracts. However, since the Company was unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the interim condensed consolidated financial statements in respect of the financial guarantee contracts.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2018 had been subject to a disclaimer of opinion of the auditor of the Company in the independent auditor’s report in the annual report of the Company for the year ended 31 December 2018 (the “2018 Annual Report”). Further to the management’s response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed “Update on Remedial Measures” in the 2018 Annual Report, the management of the Company wishes to provide the latest update on the remedial measures of the Company taken or to be taken as follows, which have been considered, recommended, and agreed by the Audit Committee after its critical review of the management’s position for the Period:

1. Financial guarantee contracts

As detailed in the 2018 Annual Report, the financial guarantee contracts were not recognised in the Group’s consolidated financial statements for the year ended 31 December 2018 because the Group was unable to obtain reliable financial information of Dajincang for the professional valuer to conduct an accurate valuation. During the Period, as the Company was still not

able to obtain such information despite continuous enquiries and requests made to Dajincang. Consequently, the valuer was not able to conduct a valuation of the financial guarantee contracts for financial reporting purpose.

As disclosed in the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018, the terms of the previous supplier guarantee (“Previous Supplier Guarantee”) had expired in December 2018 and Dajincang still did not have sufficient financial resources to repay the loan (“Previous Supplier Loan”) when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantee, Dajincang proposed to refinance the Previous Supplier Loan by entering into new supplier loan agreements (“New Supplier Loan”) with BOC for all the indebtedness due and owing to BOC with, among others, a new supplier guarantee (“Dihao New Supplier Guarantee”) to be granted by Dihao Foodstuff, a subsidiary of the Company. As a condition to the New Supplier Loan, the Dihao New Supplier Guarantee was granted by Dihao Foodstuff to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The amount drawn down by Dajincang as at 30 June 2019 and up to the date of this announcement amounted to RMB2.49 billion (31 December 2018: RMB2.49 billion).

During the Period, the Group has continued to find solutions to release the Group from its obligations under the Dihao New Supplier Guarantee. As disclosed in the 2018 Annual Report, on behalf of the Group, Mr. Yuan Weisen, the chairman of GBT and the management of the Company met with the representatives of BOC regularly during 2018. The debt-equity swap proposal had also been discussed amongst BOC, the People’s Government of Jilin Province, the relevant professional parties and the management of the Company on a regular basis. Subsequently, the Further Revised Debt-Equity Swap Proposal was submitted by the Group and the GBT Group to the Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group, the introduction of strategic investor(s) in order to strengthen the capital of the Group and other alternatives to resolve the audit modification in respect of the Dihao New Supplier Guarantee, such as the option to include the indebtedness of Dajincang in the debt-equity swap proposal. The Further Revised Debt-Equity Swap Proposal has been passed on to the headquarters of the Bank of China by the Bank of China Jilin Province Branch, and further submitted to the People’s Government of Jilin Province in August 2018 for their consideration. During the Period, the discussion has been on-going. For further details of the progress of the Further Revised Debt-Equity Swap Proposal, please refer to point (1) in note 2.2 to the interim condensed consolidated financial statements of the Group for the Period.

2. Material uncertainty relating to going concern

With respect to the material uncertainty relating to the Group's ability to continue as a going concern, the Board has expressed its views and outlined the steps that have been taken by the management to improve the Group's financial position in note 2.2 to the interim condensed consolidated financial statements of the Group for the Period.

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2.2 to the interim condensed consolidated financial statements, the Board, including the Audit Committee, is of the view that the Group has sufficient working capital for at least 12 months from the date of this announcement, and that the relevant disclaimer opinion may not appear in the final results for the year ending 31 December 2019. In addition, in relation to financial support from the indirect major shareholder, the Group and the GBT Group had received a renewed written confirmation dated 30 June 2019 from Nongtou in which Nongtou has reassured that it will continue to support the going concern of the Group and the GBT Group using its resources and connections including financial support through loans and borrowings and operation support including supplying corn kernels to the Group and the GBT Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (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.

Economic growth in the PRC remained slow during the first half of 2019. China's GDP growth rate in the second quarter of 2019 dropped to its record low since 1992 at 6.2%. The trade tensions between China and the United States (the "US") continued to weigh on the economy during the Period. In addition, the outbreak of the African Swine Flu ("ASF") across Asia since last year has added on the pressure to the husbandry and feed related industries. As a result, the performance of the Group's upstream other corn refined products for the Period was under pressure.

With respect to corn supply, according to the United States Department of Agriculture, global corn production for the year 2019/20 will drop to 1,105 million MT (2018/19: 1,123 million MT) as a result of expected reduction in output in the US. Due to strong demand from the ethanol industry and unfavourable weather condition for corn plantation in the US, international corn price soared to 503 US cents per bushel (equivalent to RMB1,361 per MT) (end of June 2018: 358 US cents per bushel, equivalent to RMB932 per MT) by the end of the Period. In the PRC, notwithstanding the demand from the feed industry shrunk as a result of the outbreak of the ASF in China, demand from corn-based ethanol had helped to fuel the demand for corn and uphold the corn price in China during the Period. Consequently, domestic corn price increased slightly to approximately RMB1,800 per MT (end of June 2018: RMB1,727 per MT) by the end of June 2019. As stated in the 2018 Annual Report, the ageing corn stock in the PRC will gradually be digested in 2019, corn supply and demand is expected to be back in balance. The performance of the corn refinery business will then be dependent on the control over the ASF in various Asian countries and the global economic environment including the development of the US-China trade tensions.

As for the sugar market, increased production in various major sugar producing countries during the 2018/19 harvest has kept the international sugar price low at 12.32 US cents per pound (equivalent to RMB1,871 per MT) (end of June 2018: 12.35 US cents per pound, equivalent to RMB1,808 per MT) by the end of June 2019. In the PRC, domestic sugar production remained at similar level at 10.6 million MT in the 2018/19 harvest (2017/18: 10.5 million MT), with domestic sugar price dropped to RMB5,390 per MT (end of June 2018: RMB5,580 per MT) by end of June 2019. The huge difference between international sugar price and domestic sugar price has increased the competitiveness of imported sugar. As such, the government has implemented a series of measures to narrow the gap between international and domestic sugar prices, including raising import tariff for sugar imports without quota. Although sugar price continues to influence the price of sweeteners to a certain extent, years of industry development has got customers accustomed to the user-friendliness of corn sweeteners. The substitution effect between sugar and sweeteners is no longer as prominent as it used to be. On the other hand, there had been changes in the end user market in the Huadong area in China during the Period. A number of users have opted for vertical integration and expanded upstream to secure their feedstocks to produce sweeteners in-house against fluctuations in raw material supply and/or cost. As a result, the sweeteners market has shrunk and sweeteners manufacturers are faced with more intense competition. As such, the performance of the Group's downstream sweetener products was under pressure during the Period due to reduced sales volume. The Group will continue to strengthen its market position leveraging on its brand name and further improve cost effectiveness through continuous research and development efforts to lower operating costs, at the same time optimise facilities utilisation rate to improve operational efficiency. In addition, the Group will also take the opportunity of the debt restructuring under the Further Revised Debt-Equity Swap Proposal as disclosed in the 2018 Annual Report to restructure the Group's business through the introduction of new businesses as well as strategic investors so as to lower its reliance on a single product market.

Due to weather condition and policy changes in various sugar producing countries, it is currently expected that global sugar production in the coming harvest may fall. Coupled with the increased demand from biofuel such as ethanol, sugar price may expect to rebound by end of 2019. This may help narrow the difference between the international and domestic sugar prices. On the other hand, the price of corn kernels in the PRC is affected by the direction of the state government agricultural policy from time to time as well as macro-economic environment in light of the uncertainties arising from, among others, the US-China trade tensions. Notwithstanding the changes in the upstream operating environment, the upstream operation serves as a feedstock of the Group's downstream production which has strategic value to the Group's operation. As such, in response to the ever-changing environment, the Group will closely monitor the market movements and optimise its production scale from time to time.

FINANCIAL PERFORMANCE

During the Period, due to keen competition of the sweeteners market, the sales volume of the Group's downstream sweeteners segment dropped by approximately 19.8% to 150,000 MT (2018: 187,000 MT). On the other hand, a stable supply of corn kernels through the connections of Nongtou has improved the manufacture and sale of upstream products. The combined effect has led to a slight decrease in the Group's consolidated revenue by approximately 2.1% to approximately HK\$876.0 million (2018: HK\$894.5 million) during the Period.

As mentioned in the 2018 Annual Report, the ageing corn stock in China was expected to be gradually digested in 2019. On the other hand, corn-based ethanol continued to fuel the demand for corn kernels and support the market price of corn kernels during the Period, despite the drop in demand from the feed industry as a result of the ASF. Coupled with the changes in the agricultural subsidy policy of the provincial governments in which no corn procurement subsidy was entitled to the Group for the Period (2018: HK\$1.0 million), the Group's purchase price of corn kernels increased by approximately 8.0% during the Period. Nevertheless, as new basis for the assessment of VAT for the upstream corn refined products has been adopted by the local tax bureau in Jinzhou, Liaoning Province, the PRC since August 2018, the VAT deduction available for each MT of upstream products increased consequently. As a result, the consolidated cost of sales of the Group dropped by 5.1% contributing to an increase in the Group's gross profit for the Period by approximately 42.1% to approximately HK\$80.7 million (2018: HK\$56.8 million) with gross profit margin increased by approximately 2.9 percentage point to approximately 9.2% (2018: 6.3%).

Despite the Group's continuous effort in controlling cost and optimising operation scale, finance costs have weighed on the overall performance of the Group. As a result, the Group recorded net loss and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK\$102.6 million (2018: HK\$132.8 million) and approximately HK\$21.6 million (2018: HK\$53.8 million) respectively for the Period.

Upstream products

(Sales amount: HK\$410.4 million (2018: HK\$331.8 million))

(Gross profit: HK\$29.2 million (2018: Gross loss: HK\$17.8 million))

With respect to the Group's corn refinery business, the improvement in operational efficiency in Jinzhou site for the Period has increased the sales volume of corn starch and other corn refined products to approximately 106,000 MT (2018: 79,000 MT) and 62,000 MT (2018: 55,000 MT), respectively, as well as their revenue to approximately HK\$286.2 million (2018: HK\$210.5 million) and HK\$124.2 million (2018: HK\$121.3 million), respectively. Internal consumption of corn starch was approximately 32,000 MT (2018: 81,000 MT), which was mainly used as the raw material for production in the Group's production sites in Jinzhou and Shanghai.

As new basis for the assessment of VAT for the upstream corn refined products has been adopted by the local tax bureau in Jinzhou since August 2018, the VAT deduction available for each MT of upstream products increased consequently. The Group's average cost of sales of corn starch and other corn refined products dropped by approximately 9.8% and approximately 16.1% respectively. However, as the average selling price of corn starch increased slightly by 1.4% while the average selling price of other corn refined products dropped by approximately 8.2%, the corn starch segment recorded a gross profit of approximately HK\$48.0 million (2018: HK\$13.7 million) with gross profit margin of approximately 16.8% (2018: 6.5%); while the other corn refined products segment recorded a gross loss of HK\$18.8 million (2018: HK\$31.5 million) with gross loss margin of approximately 15.1% (2018: 25.9%).

The Group had been the sole distributor of the GBT Group for the sales and marketing of their upstream corn refined products in the Huadong region in the PRC since 2016. As the distribution agreement expired on 31 December 2018, no revenue (2018: Nil) for the trading of upstream products was recorded during the Period.

Corn syrup

(Sales amount: HK\$304.6 million (2018: HK\$401.7 million))

(Gross profit: HK\$35.5 million (2018: HK\$55.0 million))

During the Period, the revenue and gross profit of the corn syrup segment decreased by approximately 24.2% and 35.5%, respectively, to approximately HK\$304.6 million (2018: HK\$401.7 million) and approximately HK\$35.5 million (2018: HK\$55.0 million) respectively. Such decreases were mainly attributable to the decline in sales volume by approximately 26.5% to approximately 97,000 MT (2018: 132,000 MT) as a result of keen competition in the market. In addition, as cost of corn starch increased significantly during the Period, coupled with low utilisation rate as a result of reduced output which drove up the unit production cost, the gross profit margin of the corn syrup segment decreased to approximately 11.7% (2018: 13.7%) during the Period.

Corn syrup solid

(Sales amount: HK\$161.0 million (2018: HK\$160.5 million))

(Gross profit: HK\$16.0 million (2018: HK\$19.6 million))

During the Period, the revenue of maltodextrin amounted to approximately HK\$161.0 million (2018: HK\$160.5 million). Although there was approximately 3.0% increase in selling price, as the average cost of sale increased by approximately 5.6% with sales volume maintained at similar level at approximately 53,000 MT (2018: 55,000 MT), gross profit of the corn syrup solid segment dropped by approximately 18.4% to approximately HK\$16.0 million (2018: HK\$19.6 million). As a result, the gross profit margin of the corn syrup solid segment declined to approximately 9.9% (2018: 12.2%).

Trading

(Sales amount: Nil (2018: HK\$0.5 million))

(Gross profit: Nil (2018: Nil))

The Group had been the sole distributor of the GBT Group for the marketing and selling of their lysine, corn starch and other corn refined products in the Huadong region in the PRC since 2016. Results of trading of corn starch and other corn refined products are included in the financial results of upstream products. Results of the trading segment include only those of amino acids.

As the distribution agreement expired on 31 December 2018, no revenue (2018: HK\$0.5 million) for the trading of amino acids was recorded during the Period.

Export sales

During the Period, the Group exported approximately 18,000 MT (2018: 18,000 MT) of upstream corn refined products and approximately 8,000 MT (2018: 9,000 MT) of corn sweeteners; their export sales amounted to approximately HK\$35.1 million (2018: HK\$41.6 million) and approximately HK\$30.5 million (2018: HK\$26.8 million), respectively, together representing approximately 7.5% (2018: 7.7%) of the Group's total revenue.

Other income and gains, operating expenses, finance costs and income tax expenses

Other income and gains

During the Period, other income and gains of the Group decreased by approximately 24.8% to approximately HK\$9.4 million (2018: HK\$12.5 million). Such decrease was mainly attributable to the decrease of reversal of impairment of trade and bills receivables during the Period.

Selling and distribution costs

During the Period, the selling and distribution costs dropped by 13.7% to approximately HK\$77.1 million (2018: HK\$89.3 million), accounting for approximately 8.8% (2018: 10.0%) of the Group's revenue. Such decrease was mainly attributable to the decrease in transportation and packaging cost as a result of the decline in sales volume of downstream products during the Period.

Administrative expenses

During the Period, administrative expenses remained at similar level at approximately HK\$54.6 million (2018: HK\$57.2 million), representing approximately 6.2% (2018: 6.4%) of the Group's revenue.

Other expenses

Other expenses of the Group increased to approximately HK\$23.8 million (2018: HK\$20.7 million) during the Period. Such increase was mainly attributable to the impairment of prepayments, deposits and other receivables which amounted to approximately HK\$1.6 million, as compared to reversal of impairment of prepayments, deposits and other receivables of HK\$0.3 million for the corresponding period last year.

Finance costs

During the Period, finance costs of the Group increased to approximately HK\$37.3 million (2018: HK\$34.1 million) as a result of the increase in interest on trade payables, which amounted to approximately HK\$8.7 million (2018: HK\$5.1 million).

Income tax expenses

As all the subsidiaries of the Group recorded a net loss during the Period, which were not subject to the Hong Kong profit tax and the PRC enterprise income tax, no income tax expenses (2018: HK\$0.8 million) was provided for the Period.

Net loss attributable to shareholders

Notwithstanding the slight decline in the Group's revenue during the Period, with improved gross profit, the Group's net loss for the Period reduced to approximately HK\$102.6 million (2018: HK\$132.8 million).

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest-bearing bank borrowings and net borrowing position

The total interest-bearing bank borrowings as at 30 June 2019 remained at similar level at approximately HK\$1,007.4 million (31 December 2018: HK\$1,009.3 million), while cash and bank balances and pledged bank deposits as at 30 June 2019 decreased by HK\$15.8 million to approximately HK\$83.8 million (31 December 2018: HK\$99.6 million). As such, the net borrowings increased to approximately HK\$923.6 million (31 December 2018: HK\$909.7 million).

As at 30 June 2019, the Group's interest-bearing bank borrowings amounted to approximately HK\$1,007.4 million (31 December 2018: HK\$1,009.3 million), all of which (31 December 2018: 100.0%) were denominated in Renminbi. The average interest rate during the Period decreased to approximately 5.5% per annum (2018: 7.0% per annum). The percentage of interest-bearing bank borrowings wholly repayable within one year and in the second to the fifth years were approximately 61.8% and 38.2% (31 December 2018: 81.9% and 18.1%), respectively. As at 30 June 2019, interest-bearing bank borrowings amounted to approximately HK\$253.4 million have been charged at fixed interest rates of approximately 7.0% to 8.0% for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank borrowings are charged with reference to floating interest rate.

Considering the management's continuous efforts in monitoring the cash flow of the Group and in maintaining good relationships with banks, the Group has been able to renew the existing banking facilities during the Period.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. Although the Group's revenue slightly decreased by approximately 2.1% to approximately HK\$876.0 million for the Period (2018: HK\$894.5 million), the Group had maintained a stringent credit control and therefore, the trade receivables turnover days has dropped to 28 days (31 December 2018: 38 days).

During the Period, trade payables turnover days increased to approximately 108 days (31 December 2018: 93 days) as better credit terms were offered to the Group from the several subsidiaries of Nongtou.

As at 30 June 2019, the Group's inventory level increased by approximately 21.9% to approximately HK\$310.8 million (31 December 2018: HK\$255.0 million) as a result of increased inventory in the Jinzhou site. Consequently, the inventory turnover days increased to approximately 71 days for the Period (31 December 2018: 53 days).

As at 30 June 2019, the current ratio and quick ratio remained at approximately 0.4 (31 December 2018: 0.4) and 0.2 (31 December 2018: 0.2) respectively. Gearing ratio in terms of debts (i.e. total interest-bearing bank borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank borrowings) was approximately 169.8% (31 December 2018: 145.0%).

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 7.5% (2018: 7.7%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company 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 fluctuation. 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.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

Reference is made to the joint announcement of the Company and GBT dated 21 September 2018. Under a loan agreement (the "Loan Agreement") entered into between 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.) ("Jinzhou Dacheng"), which is an indirect wholly owned subsidiary of the Company, and 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China) (the "Lender") in respect of a twelve month fixed term loan due in December 2018 (the "Loan"), Jinzhou Dacheng is required to, among others, satisfy a financial covenant as to the debt-to-assets ratio, failure to comply with such financial covenant entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. The Loan is guaranteed by the Company and certain members of the Group have also provided guarantees and securities to secure the Loan.

Based on the unaudited management accounts of Jinzhou Dacheng for the eight months ended 31 August 2018, Jinzhou Dacheng has failed to fulfill certain financial covenants under the Loan Agreement. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable. In addition, such breach may also trigger the cross default provisions in other loan agreements entered into by the Group.

On 18 December 2018, Jinzhou Dacheng signed a renewal agreement to renew the Loan Agreement pursuant to which the due date of the Loan has been extended to December 2019 and based on the unaudited management accounts of Jinzhou Dacheng for six months ended 30 June 2019, certain financial covenant under the Loan Agreement has yet to fulfill. As at the date of this

announcement, the outstanding principal amount under the Loan Agreement is RMB22.0 million and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement. The breach of the Loan Agreement may trigger cross default provisions (“Cross Default”) in other loan agreements entered into by the Group in the aggregate outstanding principal amount of approximately RMB452.9 million. Save for the Cross Default, the breach has not resulted in any triggering of cross default provisions of other loan agreements and/or banking facilities entered into by the Group or the GBT Group. The Group is in the process of applying for the relevant waivers from the lenders in relation to the Cross Default. Despite the above non-compliance, the Group has been able to obtain financing with its banks for its working capital during the Period. Further announcement(s) will be made by the Company and GBT to update the status of the waivers as and when appropriate.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to Dajincang

As announced by the Company on 31 March 2015, financial guarantees were first granted by certain subsidiaries of the Company and GBT in respect of the indebtedness of Dajincang due to BOC between November 2010 to March 2015.

As disclosed in the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the Previous Supplier Loan expired in December 2018 and Dajincang still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for the New Supplier Loan. New supplier guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by Dihao Foodstuff and other members of the GBT Group to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The maximum principal amount guaranteed under the Dihao New Supplier Guarantee is RMB2.5 billion. Since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under rule 13.13 of the Listing Rules and to comply with rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under rule 13.20 of the Listing Rules to disclose the Dihao New Supplier Guarantee in its interim and annual reports during the relevant periods when the Dihao New Supplier Guarantee is in effect.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2018 Annual Report, in relation to among others, the suspension and relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

The relocation plan of the Group will be financed by the Group's internal resources, and the management of the Company is of the view that the existing technology know-how of the Group is sufficient for the relocation of the production facilities.

The relocation of the 60,000 metric tonnes per annum ("mtpa") glucose/maltose production facilities and the 30,000 mtpa maltodextrin production facilities were completed in April 2017 and January 2018 respectively. In respect of the other relocation projects, in view of changes in the operating environment, the Group is in the process of reviewing the relocation projects and revising the feasibility studies for submission to among others, the relevant government parties for approval. As such, the expected time for the relocation of production facilities is revised as follows:

Products of the Group to which the production facilities relate	Production capacity of the relevant production facilities to be relocated (mtpa)	Expected time for the relocation of production facilities
Crystallised glucose*	100,000	September 2019 — September 2020
Corn refinery*	600,000	Pending the availability of capital and favourable market condition

* The time frame of the projects are subject to the final decision of the management taking into account the relevant product markets and the obtaining of the approval from among others, the relevant government bodies on the feasibility studies. The timetable may thus change accordingly of which the Group shall update its investors from time to time.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

In the short run, the Group will consolidate its resources towards the development of the Shanghai production site, leveraging on the synergistic effect with the Jinzhou production site for the supply of raw materials to serve the respective markets.

In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products.

With respect to the financial position of the Group, the management will endeavour to overcome the challenges and adopt a prudent approach in face of the current market condition.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2019, the Group has approximately 1,100 (31 December 2018: 1,100) full time employees in Hong Kong and 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 in 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 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.

INTERIM DIVIDEND

The Board has resolved not to recommend any payment of interim dividend in respect of the Period (six months ended 30 June 2018: Nil).

PURCHASES, 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 Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company is committed to ensuring a high standard of corporate governance for the interests of its shareholders and devotes considerable effort in identifying and formalising best practices.

In the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the Period.

The roles of the chairman and chief executive officer of the Company are separate and exercised by different persons. As at the date of this announcement, Mr. Zhang Zihua is the acting chairman of the Company and is mainly responsible for providing leadership and directions to the Board. On 1 October 2018, Mr. Wang Jian resigned as the chief executive officer of the Company and no replacement has yet been made after his resignation. As of the date of this announcement, Mr. Wang Guicheng has been appointed as the chief operating officer and is responsible for overseeing the operation management and product development of the Group.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the Period.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee comprises three independent non-executive Directors namely Mr. Fong Wai Ho (the chairman of the committee), Mr. Lo Kwing Yu and Mr. Wen Xia.

The Audit Committee meets regularly with the Company's senior management and the Company's auditor to review the Company's financial reporting process, the effectiveness of internal controls, audit process and risk management.

The interim results of the Group for the Period have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.global-sweeteners.com under "Investor Relations".

The interim report 2019 of the Company will be despatched to the shareholders of the Company and will be available for viewing on the aforesaid websites of the Stock Exchange and the Company in due course.

By order of the Board
Global Sweeteners Holdings Limited
Zhang Zihua
Acting Chairman

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises one executive Director, namely, Mr. Zhang Zihua; and three independent non-executive Directors, namely, Mr. Fong Wai Ho, Mr. Lo Kwing Yu and Mr. Wen Xia.