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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 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Change %
	(Unaudited)	(Unaudited)	
Revenue (HK\$'Mn)	434.6	876.0	(50.4)
Gross profit (HK\$'Mn)	48.0	80.7	(40.5)
Loss before tax (HK\$'Mn)	(151.2)	(102.6)	N/A
Loss for the period (HK\$'Mn)	(151.2)	(102.6)	N/A
Basic loss per share (HK cents)	(9.9)	(6.7)	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 2020 (the “**Period**”).

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)
	Notes	HK\$'000	HK\$'000
REVENUE	4	434,576	876,003
Cost of sales		<u>(386,608)</u>	<u>(795,256)</u>
Gross profit		47,968	80,747
Other income and gains	4	6,227	9,386
Selling and distribution costs		(35,756)	(77,066)
Administrative expenses		(54,179)	(54,571)
Other expenses		(39,914)	(23,793)
Finance costs	5	<u>(75,544)</u>	<u>(37,337)</u>
LOSS BEFORE TAX	6	(151,198)	(102,634)
Income tax expenses	7	<u>—</u>	<u>—</u>
LOSS FOR THE PERIOD		<u>(151,198)</u>	<u>(102,634)</u>
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>5,582</u>	<u>2,079</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u><u>(145,616)</u></u>	<u><u>(100,555)</u></u>

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(151,198)	(102,634)
Non-controlling interests		—	—
		<u>(151,198)</u>	<u>(102,634)</u>
TOTAL COMPREHENSIVE (LOSS) INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		(145,683)	(100,555)
Non-controlling interests		67	—
		<u>(145,616)</u>	<u>(100,555)</u>
LOSS PER SHARE		8	
Basic		<u>HK(9.9) cents</u>	<u>HK(6.7) cents</u>
Diluted		<u>HK(9.9) cents</u>	<u>HK(6.7) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		762,509	806,693
Right-of-use assets		124,489	130,781
Deposits paid for acquisition of property, plant and equipment		15	225
Intangible assets		1,704	1,704
		<u>888,717</u>	<u>939,403</u>
CURRENT ASSETS			
Inventories		52,713	193,035
Trade and bills receivables	10	75,460	190,528
Prepayments, deposits and other receivables	11	43,804	45,188
Cash and bank balances		18,850	30,820
		<u>190,827</u>	<u>459,571</u>
CURRENT LIABILITIES			
Trade payables	12	257,645	393,096
Other payables and accruals		271,057	253,740
Lease liabilities		2,081	2,309
Interest-bearing bank and other borrowings		918,981	762,526
Due to fellow subsidiaries		127,041	136,267
Tax payables		23,306	22,929
		<u>1,600,111</u>	<u>1,570,867</u>
NET CURRENT LIABILITIES		<u>(1,409,284)</u>	<u>(1,111,296)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(520,567)</u>	<u>(171,893)</u>

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		—	200,000
Lease liabilities		156	1,094
Deferred income		26,187	27,567
Deferred tax liabilities		10,117	10,857
		36,460	239,518
NET LIABILITIES		(557,027)	(411,411)
CAPITAL AND RESERVES			
Share capital	13	152,759	152,759
Reserves		(704,059)	(558,376)
Deficit attributable to owners of the Company		(551,300)	(405,617)
Non-controlling interests		(5,727)	(5,794)
TOTAL DEFICIT		(557,027)	(411,411)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 was no significant change 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 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 (the “**Listing Rules**”) on the Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The 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 2019.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK\$151.2 million (six months ended 30 June 2019: approximately HK\$102.6 million) for the Period and as at 30 June 2020, had net current liabilities of approximately HK\$1,409.3 million (31 December 2019: approximately HK\$1,111.3 million) and net liabilities of approximately HK\$557.0 million (31 December 2019: approximately HK\$411.4 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts (the “**Financial Guarantee Contracts**”) as discussed in note 14 provided by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) (“**Dihao Foodstuff**”), a subsidiary of the Company, for the benefit of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) (“**Dajincang**”) 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 (the "**Audit Committee**") of the Company after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

(1) Active negotiations with banks to obtain adequate bank borrowings and lower the debt ratio of the Group

As disclosed in the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), the Company and GBT have been actively negotiating with the banks in the People's Republic of China (the "**PRC**" or "**China**") for their continuous support to the Group. At 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**") (an entity controlled by Jilin SASAC and an indirect major shareholder of GBT) and the management of the Group and the GBT Group held in Changchun on 1 February 2019, the parties acknowledged the direction of the debt restructuring plan and reinstated their intention to push through the execution of such plan. 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 the cash flow of the Group.

Subsequent to the meeting on 1 February 2019, the parties continued with the negotiation about the debt restructuring plan and as disclosed in the joint announcement (the "**February Joint Announcement**") of the Company and GBT dated 25 February 2020, as a common understanding amongst the parties, the outstanding debts should be reclassified as non-performing assets of the principal lending banks to enable them to sell such debts to certain assets management companies at a relatively sharp discount as the first step of the debt restructuring plan. In mid-February 2020, the Company has been notified by 中國銀行吉林省分行 (Jilin Branch of Bank of China*) ("**BOC Jilin Branch**") that it had entered into a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) (the "**New Creditor**") pursuant to which BOC Jilin Branch had agreed to sell to the New Creditor, and the New Creditor had 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**") which included, among others, the loans of the Group in the amount of RMB198.6 million, together with the outstanding interest and the indebtedness of Dajincang that was guaranteed by certain subsidiaries of the Group and the GBT Group (the "**Guarantor Subsidiaries**") at a consideration of approximately RMB815.7 million. After the completion of the transfer of the Transferred Loans, the management of the Group and the GBT Group continues to explore the next step of the debt restructuring plan with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GBT Group. The Board and

the board of directors of GBT (the “**GBT Board**”) believe that once the Transferred Loans have been resolved, the other major outstanding debts could be resolved under similar debt restructuring plans.

The debt restructuring plan is also well-supported by the government. On 5 March 2020, an official document titled 《關於商請各金融機構支持大成集團改革脫困化解債務風險的函》 (Letter of Request to Financial Institutions to Support the Reform of the GBT Group to Resolve Risks Associated With Debts) was issued by Jilin SASAC to all the relevant banks and financial institutions, in which it reiterated the debt restructuring plan and the stable operation of the Group and the GBT Group have always been the priorities of both the provincial and municipal governments; and urged the other principal lending banks in Changchun to follow the debt restructuring plan of BOC Jilin Branch.

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

The Company, together with GBT, will endeavour to facilitate the materialisation of the debt restructuring plan. The Board and the GBT Board expect that the Group and the GBT Group would be able to resolve all the amounts due and owing under the Transferred Loans and the indebtedness of Dajincang in 2020.

(2) Resumption of land and buildings located in Luyuan District, Changchun

Reference is made to the joint announcement of the Company and GBT dated 2 March 2017 and the 2019 Annual Report. The Company and GBT have been in discussion with a potential purchaser (the “**Potential Purchaser**”) in respect of the sale and purchase of pieces of land in Luyuan District, Changchun, the PRC and the buildings erected thereon (the “**Relevant Properties**”). Pursuant to a letter of intent from the Potential Purchaser, it is expected that the Potential Purchaser shall purchase the Relevant Properties at a consideration of not less than RMB2.2 billion, subject to the price to be determined by way of auction. Given the Potential Purchaser is a municipal government-owned enterprise, the management is prudently optimistic that the disposal will be materialised.

As disclosed in the 2019 Annual Report, the Group has received an official document dated 28 April 2018 from 長春市保障性安居工程領導小組 (The Changchun Safeguard Housing Project Leading Group*) in which the Relevant Properties have been confirmed as part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Such policy is expected to speed up the process of the resumption of the Relevant Properties through shortened procedures and exemption of certain taxes. In addition, the Changchun Safeguard Housing Project Leading Group also confirmed the site location and area of the Relevant Properties at a meeting on 27 September 2018. An execution announcement for the redevelopment under the PRC's Slum Redevelopment Policy dated 30 October 2019 has also been issued by 綠園區土地徵收辦事處 (The Land Acquisition Office of Luyuan District*). The GBT Group had received a land resumption prepayment in the amount of approximately RMB377.0 million from the Potential Purchaser which was subsequently recognised as compensation for the resumption of the Relevant Properties pursuant to an agreement entered into between the GBT Group, and the Potential Purchaser and 長春市綠園區人民政府 (The People's Government of Luyuan District of Changchun City*) (the **"Local Government"**), in the last quarter of 2019 confirmed that the Potential Purchaser and the Local Government were satisfied with the progress of the relocation.

On 10 June 2020, a meeting was held in Changchun amongst the representatives of 長春市土地儲備中心 (The Changchun Land Reserve Centre*), the Local Government, 綠園區審計局 (The Audit Bureau of Luyuan District*), the Land Acquisition Office of Luyuan District, the Potential Purchaser, the Group and the GBT Group. At the meeting, 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 RMB400.0 million to the GBT Group. As at the date of this announcement, the GBT Group has received RMB200.0 million from the Local Government with the remaining balance expected to be paid by the end of 2020.

On the other hand, as announced by the Company and GBT on 24 August 2020, the Local Government has announced its decision to resume the Relevant Properties. The first phase of resumption (the **"Dihao Resumption"**) involved the properties owned by Dihao Foodstuff, a wholly-owned subsidiary of the Company, with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres (the **"Dihao Properties"**). In accordance with the notices issued by the Local Government, Dihao Foodstuff is required to surrender the Dihao Properties by the third quarter of 2020. The Group is expected to receive a total compensation of approximately RMB443.0 million as a result of the Dihao Resumption. The compensation amount was based on the valuation report as of mid-August 2020 by an independent valuer selected and engaged in accordance with 吉林省國有土地上房屋徵收與補償辦法 (Measures on the Expropriation of Properties on State-owned Land and Compensation of Jilin Province*) and 長春市國有土地上房屋徵收與補償暫行辦法 (Interim Measures on the Expropriation of Properties on State-owned Land and Compensation of Changchun City*).

It is expected that resumption of remaining part of the Relevant Properties will take place in a similar manner as the Dihao Resumption. The Group has yet to enter into the formal agreements in relation to the Dihao Resumption with the Local Government as at the date of this announcement. The Board expects that 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.

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

The Group has taken various measures to enhance the operational efficiency to lower operating costs and strengthen the competitiveness of the Group. During the six months ended 30 June 2020, the Group has optimised its production and consolidated its resources in Shanghai production base to minimise operating cash outflow and secure financial resources.

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

The Group has received a renewed written confirmation dated 30 June 2019 from Nongtou 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 has secured the supply of corn kernels through the execution of corn purchasing contract with the Nongtou Group during the Period to ensure a sufficient supply of corn kernels when the Group's upstream operation resumes.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 30 June 2020 amounted to approximately RMB1,951.0 million (31 December 2019: approximately RMB2,102.0 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, to 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 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 would have sufficient working capital for operation need for at least 12 months from 30 June 2020. Therefore, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

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 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 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 2019, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group and are effective from the Period.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business

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.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two (six months ended 30 June 2019: two) 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) Segment results

Six months ended 30 June

	Corn refined products		Corn sweeteners		Total	
	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	205,681	410,375	228,895	465,628	434,576	876,003
Intersegment sales	15,819	81,011	1,136	56,505	16,955	137,516
	<u>221,500</u>	<u>491,386</u>	<u>230,031</u>	<u>522,133</u>	<u>451,531</u>	<u>1,013,519</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales					(16,955)	(137,516)
Revenue					<u>434,576</u>	<u>876,003</u>
Segment results	<u>(29,830)</u>	<u>(16,560)</u>	<u>(42,370)</u>	<u>(42,473)</u>	<u>(72,200)</u>	<u>(59,033)</u>
<i>Reconciliation:</i>						
Unallocated bank interest and other corporate income					195	341
Corporate and other unallocated expenses					(3,649)	(6,605)
Finance costs					(75,544)	(37,337)
Loss before tax					<u>(151,198)</u>	<u>(102,634)</u>
Income tax expenses					—	—
Loss for the period					<u>(151,198)</u>	<u>(102,634)</u>

(b) Geographical information

Six months ended 30 June

	The PRC		Asian regions and others		Total	
	2020	2019	2020	2019	2020	2019
	(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>415,720</u>	<u>810,313</u>	<u>18,856</u>	<u>65,690</u>	<u>434,576</u>	<u>876,003</u>

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	<u>434,576</u>	<u>876,003</u>
Other income and gains		
Amortisation of deferred income	1,077	2,709
Bank interest income	195	341
Gains arising from sale of packing materials and by-products, net	—	1,504
Government grants (b)	162	105
Subcontracting income	1,291	2,018
Reversal of impairment of trade and bills receivables, net	1,092	861
Wavier of payables	810	—
Others	<u>1,600</u>	<u>1,848</u>
	<u>6,227</u>	<u>9,386</u>

Remarks:

- (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 a subsidiary of the Company with no further obligations and conditions to be complied with.

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank and other borrowings	27,834	27,861
Interest on trade payables	47,150	8,705
Finance costs for discounted bills receivables	503	611
Interest on lease liabilities	<u>57</u>	<u>160</u>
	<u>75,544</u>	<u>37,337</u>

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	37,792	48,280
— Pension scheme contributions	6,131	16,307
	43,923	64,587
Cost of inventories sold (a)	383,435	792,558
Depreciation		
— Property, plant and equipment	37,825	37,524
— Right-of-use assets	4,572	6,145
Amortisation of deferred income	(1,077)	(2,709)
Loss on disposal of property, plant and equipment, net	—	17
Foreign exchange loss, net	124	142
Impairment of deposits paid for acquisition of property, plant and equipment	62	—
(Reversal of write-down) Write-down of inventories, net, included in cost of sales	(671)	7,091
Reversal of impairment of trade and bills receivables, net	(1,092)	(861)
Impairment of prepayments, deposits and other receivables, net	2,118	1,631

Remark:

- (a) Cost of inventories sold includes employee benefit expenses, depreciation and (reversal of write-down) write-down of inventories, which are also included in the respective amounts disclosed separately above for each of these types of income and expenses.

7. INCOME TAX EXPENSES

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Period and the six months ended 30 June 2019.

No provision for the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax losses during the Period and the six months ended 30 June 2019.

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\$151,198,000 (six months ended 30 June 2019: HK\$102,634,000) and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 shares (six months ended 30 June 2019: 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 2019.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2019: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	143,406	261,314
Bills receivables	3,846	2,907
	147,252	264,221
Loss allowance	(71,792)	(73,693)
	75,460	190,528

The Group normally grants credit terms of 30 to 90 days (31 December 2019: 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 17.1% (31 December 2019: 15.4%) and 47.5% (31 December 2019: 42.8%) of the total trade and bills receivables was 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	45,121	150,015
1 to 2 months	20,193	32,160
2 to 3 months	5,806	4,386
Over 3 months	4,340	3,967
	<u>75,460</u>	<u>190,528</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Prepayments	13,333	15,071
Deposits and other debtors	16,358	6,740
The PRC value-added tax and other tax receivables	14,113	23,377
	<u>43,804</u>	<u>45,188</u>

12. TRADE PAYABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade payables		
— To third parties (a)	75,704	222,854
— To the Nongtou Group (b)	181,941	170,242
	<u>257,645</u>	<u>393,096</u>

Remarks:

- (a) At 31 December 2019, the trade payables to third parties included balances payable to a state-owned supplier of approximately HK\$66.8 million, which were unsecured and interest-bearing at 8.0% to 9.0% per annum after the credit periods lapsed. During the Period, Nongtou acquired 100.0% equity interest of the state-owned supplier and the corresponding balance payable was disclosed in trade payables to the Nongtou Group at 30 June 2020.

- (b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 11.0% to 12.0% per annum (31 December 2019: 8.5% per annum) after the credit periods lapsed.

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2019: 30 to 90 days) from its suppliers.

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

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	11,875	230,752
1 to 2 months	4,373	24,708
2 to 3 months	1,341	5,833
Over 3 months	<u>240,056</u>	<u>131,803</u>
	<u>257,645</u>	<u>393,096</u>

13. SHARE CAPITAL

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Authorised: 100,000,000,000 (31 December 2019: 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 2019: 1,527,586,000) ordinary shares of HK\$0.10 each	<u>152,759</u>	<u>152,759</u>

14. FINANCIAL GUARANTEE CONTRACTS

Dihao Foodstuff together with certain fellow subsidiaries of GBT have jointly provided corporate guarantees to a financial institution in the PRC in respect of financing facilities granted to Dajincang starting from year 2010. The maximum amount of the financing facilities was RMB2.5 billion as at 30 June 2020 (31 December 2019: RMB2.5 billion). However, since the management of the Group 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 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 2019 had been subject to a disclaimer of opinion of the external auditor of the Company in the independent auditor's report in the 2019 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 2019 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 2019 Annual Report, the Financial Guarantee Contracts were not recognised in the Group's consolidated financial statements for the year ended 31 December 2019 because the Group was unable to obtain reliable financial information of Dajincang for the professional valuer to conduct an accurate valuation. During the Period, the situation continued. Nevertheless, the Board and the GBT Board have been actively exploring different options to resolve the Financial Guarantee Contracts.

As disclosed in the February Joint Announcement, the fixed-term loans under the loan agreements (the "**Dajincang Loans**") entered into between Dajincang and 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch*) ("**Weifeng BOC**") has fallen due and become immediately payable. As a condition to such loan agreements, the Guarantor Subsidiaries have provided guarantees to Weifeng BOC to secure the obligations of Dajincang under such loan agreements. Dajincang has defaulted in the repayment of such loan and the aggregate outstanding principal amount under such loan agreements is RMB2.49 billion with outstanding interest. As a result, the Guarantor Subsidiaries may be demanded to take up the full liability of RMB2.49 billion together with the outstanding interest at any time so requested by Weifeng BOC.

Reference is also made to the February Joint Announcement, the principal lending banks of the Group and the GBT Group in the PRC, Jilin SASAC, Nongtou and the management of the Group and the GBT Group have been actively negotiating the details of debt restructuring plan. As a common understanding amongst the parties, the outstanding debts should be reclassified as non-performing assets of the principal lending banks to enable them to sell such debts to certain assets management companies at a relatively sharp discount as the first step of the debt restructuring plan. In mid-February 2020, the Company has been notified by BOC Jilin Branch that it had entered into a transfer agreement with the New Creditor pursuant to which BOC Jilin Branch had agreed to sell to the New Creditor, and the New Creditor had agreed to purchase, all of its rights and benefits of the Transferred Loans with aggregate outstanding principal amount of RMB4,016.5 million which included, among others, the loans of the Group in the amount of RMB198.6 million and the Dajincang Loans in the amount of RMB2.49

billion, together with outstanding interest at a consideration of approximately RMB815.7 million. After the completion of the transfer of the Transferred Loans, the management of the Group and the GBT Group continues to explore the next step of the debt restructuring plan with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GBT Group. The Company, together with GBT, will endeavour to facilitate the materialisation of the debt restructuring plan. The Board expects that the Group would be able to resolve all the amounts due and owing under the Transferred Loans and the Dajincang Loans together with the related audit modification by the end of the year ending 31 December 2020. The amount drawn down by Dajincang as at 30 June 2020 and up to the date of this announcement amounted to RMB2.49 billion (31 December 2019: RMB2.49 billion). For further details, please refer to point (1) in note 2.2.

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 their views and outlined the steps that have been taken by the management of the Company to improve the financial position of the Group in note 2.2.

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2.2, the Board, including the Audit Committee, is of the view that the Group would have sufficient working capital for operation need for at least 12 months from 30 June 2020.

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.

During the Period, the outbreak of COVID-19 continued to put pressure on the global economic environment. Suspension of business operations, broken supply chain and stringent lockdown measures have led to changes in consumption pattern of the population, stagnant demand and significant economic slowdown. As a result, the GDP of China shrank by 6.8% for the first quarter of 2020, which was the first decline since 1992. The lockdown in the PRC in the first quarter of 2020 had significantly lowered the demand for feed products, especially after the consumption peak during the Chinese New Year. In addition, despite the fact that the PRC cane sugar price has

increased year-on-year, competition in the PRC sweeteners market intensified as demand shrank. In light of the challenging operating environment, apart from the suspension of operations of the Group's downstream production in Jinzhou and Xinglongshan since September 2019 and February 2020 respectively, the Group has also suspended the upstream operation in 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**") in the second quarter of 2020. For details of the abovementioned suspensions, please refer to the Company's announcements dated 24 September 2019, 10 February 2020 and 29 May 2020. As a result of the suspensions, the revenue and gross profit of the Group dropped significantly during the Period.

With respect to corn supply, global corn production for the year 2020/21 is estimated at 1,163.2 million metric tonnes ("**MT**") (2019/20: 1,112.4 million MT), according to the estimates from the United States Department of Agriculture in July 2020. However, depressed fuel prices together with the economic slowdown as a result of the outbreak of COVID-19 have weakened corn consumption from ethanol and feed sectors. International corn price dropped from 608 US cents per bushel (equivalent to RMB1,670 per MT) at the end of 2019 to 548 US cents per bushel (equivalent to RMB1,528 per MT) (end of June 2019: 503 US cents per bushel (equivalent to RMB1,361 per MT)) by the end of June 2020. In the PRC, corn harvest in 2019/20 is estimated to produce approximately 266.5 million MT (2018/19: approximately 260.8 million MT) of corn, with consumption volume estimated at 285.5 million MT for 2020. In addition, the lockdown has caused delay in transportation of corn kernels and also delay in corn auctions in the PRC during the Period. The shortage of corn had driven up the domestic corn price. As a result, corn price in the PRC surged to RMB2,158 per MT (end of June 2019: RMB1,800 per MT) by the end of June 2020. Economic slowdown and shrunken demand have made it not commercially viable to continue with the production operation for the upstream corn refinery. To mitigate the situation, the Group has suspended the production operation of Jinzhou Yuancheng and continued its sales operation with its inventory starting from the second quarter of 2020. Consequently, the performance of the Group's upstream business was adversely affected during the Period. Although the economy in the PRC has shown signs of slow recovery in the second quarter with GDP growth rate at 3.2%, the operating environment going forward will still be challenging as the COVID-19 pandemic is expected to pose unknowns to the global economy in 2020. The Group will continue to monitor market conditions and be cautious in making decisions on the Group's business strategies so as to optimise the operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence.

As for the sugar market, global production volume for 2020/21 is expected to reach 188.1 million MT as increased output is expected from Brazil, India and Thailand. Although industry estimates show demand growth for sugar in 2020, the effect of the COVID-19 pandemic has an impact on the international sugar price. As a result, international sugar price dropped to 11.84 US cents per pound (equivalent to RMB1,853 per MT) by the end of June 2020 (end of June 2019: 12.32 US cents per pound, equivalent to RMB1,871 per MT). In the PRC, domestic sugar production remained at similar level at 10.7 million MT in 2020/21 harvest (2019/20: 10.8 million MT), while consumption stayed at around 15.8 million MT (2019: 15.8 million MT). As a result, domestic sugar price increased to RMB5,573 per MT (end of June 2019: RMB5,390 per MT) by the end of June 2020. To protect local sugar producers and to narrow the huge gap between international sugar price and domestic sugar price, apart from imposing high tariff for sugar imports, the PRC government has been actively cracking down on sugar smuggling since last year. Such measures have been effective in upholding the sugar

price in China. However, as a number of users in Huadong area has opted for vertical integration and expanded upstream to secure their feedstocks, the market of sweeteners has shrunk and competition has further intensified. The economic slowdown also had an impact on the demand for sweetener products. The effect was especially prominent in the low profit margin region in Northeast China. As such, the Group has suspended the operation of the downstream sweeteners production facilities in Jinzhou and Xinglongshan until market sentiment recovers. The Group will continue to utilise its research and development capabilities to improve operational efficiency to lower cost and at the same time, develop products that better suit market needs to cope with market changes.

The operating environment in the second half of 2020 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. The tension between China and the United States (the “US”) will further add on the uncertainties in the economy and the pace of recovery. On top of this, the economic slowdown and the intensified market competition will further add pressure on the already lackluster market. In the short run, the Group will continue to monitor closely the development of the COVID-19 outbreak, the market conditions as well as the financial conditions of the Group and will ensure the operation of the Group’s subsidiaries to resume as soon as possible to the extent practicable. In the long run, the Group will continue to strengthen its market position utilising its brand name and be customer-oriented to understand better their ever-changing demand and product requirement and further improve cost effectiveness and product mix through continuous research and development efforts.

FINANCIAL PERFORMANCE

During the Period, due to the outbreak of COVID-19 and the economic slowdown associated with the outbreak, most of the Group’s production facilities has been suspended. The suspension of operations has led to a significant drop in the sales volume of the Group’s upstream and downstream segments by approximately 48.2% and 50.7% respectively to 87,000 MT and 74,000 MT (2019: 168,000 MT and 150,000 MT) respectively. As a result, the Group’s consolidated revenue decreased significantly by approximately 50.4% to approximately HK\$434.6 million (2019: HK\$876.0 million) during the Period.

During the Period, to prevent the spreading of COVID-19, the PRC government has imposed stringent lockdown measures in most of the cities in China. Suspension of business operations and closure of the major transportation hubs have led to broken supply chain. State auctions for corn have been delayed. Limited supply of corn kernels has driven up the price of corn kernels in the PRC during the Period. Together with the effect of the suspension of certain production facilities of the Group during the Period, the Group’s gross profit for the Period decreased by approximately 40.5% to approximately HK\$48.0 million (2019: HK\$80.7 million). However, during the Period, Jinzhou Yuancheng has been utilising mainly its inventory produced in the last quarter of 2019 when corn price was relatively low as compared to the Period. The gross profit margin of the Group’s upstream segment improved as a result. Although stagnant demand and intensified competition of the sweeteners market have put the price of corn sweeteners under pressure, the Group took further step to suspend the facilities with the low utilisation and consolidate its resources in production base with

higher efficiency. The profit margin of the Group's downstream segment improved slightly during the Period. As a result, the gross profit margin increased by approximately 1.8 percentage points to approximately 11.0% (2019: 9.2%).

Despite the Group's continuous effort in controlling cost and optimising operation scale, the significant decrease in gross profit and high 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\$151.2 million (2019: HK\$102.6 million) and approximately HK\$33.3 million (2019: HK\$21.6 million) respectively for the Period.

Upstream products

(Sales amount: HK\$205.7 million (2019: HK\$410.4 million))

(Gross profit: HK\$19.6 million (2019: HK\$29.2 million))

With respect to the Group's corn refinery business in Jinzhou, low facility utilisation during the first quarter and the subsequent suspension in the second quarter have led to a significant drop in the sales volume of corn starch and other corn refined products to approximately 65,000 MT (2019: 106,000 MT) and 22,000 MT (2019: 62,000 MT), respectively, as well as their revenue to approximately HK\$159.6 million (2019: HK\$286.2 million) and HK\$46.1 million (2019: HK\$124.2 million), respectively. Internal consumption of corn starch was approximately 7,000 MT (2019: 32,000 MT), which was mainly used as raw material for the Group's downstream production.

During the Period, Jinzhou Yuancheng has been selling mainly its inventory which was produced during last quarter of 2019 when corn price was lower. In addition, the portion of expenses in relation to suspension of operation has been allocated to other expenses. As such, the Group's average cost of sales of corn starch and other corn refined products dropped by approximately 2.1% and approximately 14.6% respectively. On the other hand, due to stagnant demands from the downstream markets, the average selling prices of corn starch dropped by approximately 9.0% during the Period. As for other corn refined products, due to the increased tension between China and the US and the delay in transportation of the US soybean as a result of lockdown, the demand for feed-related corn refined products such as corn gluten and fibre improved. The average selling price of other corn refined products increased by approximately 4.9% during the Period. As a result, the corn starch segment and other corn refined products segment recorded gross profits of approximately HK\$16.7 million (2019: HK\$48.0 million) and HK\$2.9 million (2019: gross loss: HK\$18.8 million) respectively, with gross profit margin of approximately 10.5% (2019: 16.8%) and 6.3% (2019: gross loss margin: 15.1%) respectively.

Corn syrup

(Sales amount: HK\$175.5 million (2019: HK\$304.6 million))

(Gross profit: HK\$21.8 million (2019: HK\$35.5 million))

During the Period, the revenue and gross profit of the corn syrup segment decreased by approximately 42.4% and 38.6%, respectively, to approximately HK\$175.5 million (2019: HK\$304.6 million) and HK\$21.8 million (2019: HK\$35.5 million) respectively. Such decreases were mainly attributable to the decline in sales volume by approximately 43.3% to approximately 55,000 MT (2019: 97,000 MT) as a result of suspensions in the Xinglongshan site and the Jinzhou site. As competition has been keen in the sweeteners market since last year, especially in the low margin region such as Northeast China, the Group suspended most of the production facilities in Northeast China and consolidated its resources in Shanghai production base. As a result, the gross profit margin of the corn syrup segment improved to approximately 12.4% (2019: 11.7%) during the Period.

Corn syrup solid

(Sales amount: HK\$53.4 million (2019: HK\$161.0 million))

(Gross profit: HK\$6.6 million (2019: HK\$16.0 million))

During the Period, the revenue of maltodextrin amounted to approximately HK\$53.4 million (2019: HK\$161.0 million) as sales volume dropped to approximately 19,000 MT (2019: 53,000 MT). As the portion of expenses in relation to suspension of operation has been allocated to other expenses and the operational efficiency was relatively high in Shanghai production base, the average cost of maltodextrin dropped by approximately 8.9%. As a result, while the gross profit of the corn syrup solid segment dropped by approximately 58.8% to approximately HK\$6.6 million (2019: HK\$16.0 million) due to the drop in sales volume, its gross profit margin improved to approximately 12.4% (2019: 9.9%).

Export sales

During the Period, the Group exported approximately 7,000 MT (2019: 18,000 MT) of upstream corn refined products and approximately 1,000 MT (2019: 8,000 MT) of corn sweeteners; their export sales amounted to approximately HK\$15.9 million (2019: HK\$35.1 million) and HK\$3.0 million (2019: HK\$30.5 million), respectively, together representing approximately 4.3% (2019: 7.5%) 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 34.0% to approximately HK\$6.2 million (2019: HK\$9.4 million). As a result of the suspension, subcontracting income decreased by approximately HK\$0.7 million and no gain from sales of packing materials and by-products (2019: HK\$1.5 million) was recorded during the Period. Amortisation of deferred income also dropped by approximately HK\$1.6 million during the Period.

Selling and distribution costs

During the Period, the selling and distribution costs dropped by approximately 53.6% to approximately HK\$35.8 million (2019: HK\$77.1 million), accounting for approximately 8.2% (2019: 8.8%) 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 during the Period.

Administrative expenses

During the Period, administrative expenses remained at similar level at approximately HK\$54.2 million (2019: HK\$54.6 million), representing approximately 12.5% (2019: 6.2%) of the Group's revenue.

Other expenses

Other expenses of the Group increased to approximately HK\$39.9 million (2019: HK\$23.8 million) during the Period. Such increase was mainly attributable to the expenses in relation to idle capacity of certain production facilities which amounted to approximately HK\$36.8 million as compared to approximately HK\$14.5 million for the corresponding period last year.

Finance costs

During the Period, finance costs of the Group increased to approximately HK\$75.5 million (2019: HK\$37.3 million) as a result of the increase in interest on trade payables, which amounted to approximately HK\$47.2 million (2019: HK\$8.7 million).

Income tax expenses

As all the subsidiaries of the Group recorded tax losses during the Period, there were no income tax expenses for the Period (2019: Nil).

Net loss attributable to shareholders

The significant decrease in gross profit and high finance costs have weighed on the overall performance of the Group. As a result, the net loss of the Group was widened to approximately HK\$151.2 million (2019: HK\$102.6 million) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position and structure of interest-bearing bank and other borrowings

The total interest-bearing bank and other borrowings as at 30 June 2020 decreased slightly by approximately HK\$43.5 million to approximately HK\$919.0 million (31 December 2019: HK\$962.5 million) as a result of net repayment of certain bank and other borrowings of approximately HK\$33.3 million and exchange rate adjustment of approximately HK\$10.2 million during the Period, while cash and bank balances as at 30 June 2020 decreased by HK\$11.9 million to approximately HK\$18.9 million (31 December 2019: HK\$30.8 million). As such, the net borrowings decreased to approximately HK\$900.1 million (31 December 2019: HK\$931.7 million).

As at 30 June 2020, the Group's interest-bearing bank and other borrowings amounted to approximately HK\$919.0 million (31 December 2019: HK\$962.5 million), all of which (31 December 2019: all) were denominated in Renminbi. All of the interest-bearing bank and other borrowings were repayable within one year or on demand (31 December 2019: 79.2% repayable within one year and 20.8% repayable in the second to the fifth years).

As at 30 June 2020, interest-bearing bank and other borrowings amounted to approximately HK\$234.1 million (2019: HK\$238.9 million) have been charged at fixed interest rates of approximately 7.0% to 8.0% per annum (31 December 2019: 7.0% to 8.0% per annum) for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings are charged with reference to floating interest rate.

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 decreased significantly by approximately 50.4% to approximately HK\$434.6 million for the Period (2019: HK\$876.0 million), the Group had maintained a stringent credit control and therefore, the trade receivables turnover days dropped to approximately 32 days (31 December 2019: 36 days).

During the Period, trade payables turnover days increased to approximately 121 days (31 December 2019: 82 days) as the Group has negotiated with its suppliers to extend the credit terms during the Period.

As at 30 June 2020, the Group's inventory level decreased by approximately 72.7% to approximately HK\$52.7 million (31 December 2019: HK\$193.0 million) as a result of suspension of operations of certain subsidiaries. Consequently, the inventory turnover days decreased to approximately 25 days for the Period (31 December 2019: 40 days).

As at 30 June 2020, the current ratio and quick ratio decreased to approximately 0.1 (31 December 2019: 0.3) and 0.1 (31 December 2019: 0.2) respectively. Such declines were mainly due to the decrease of net current assets. Gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) was approximately 253.9% (31 December 2019: 174.7%).

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 4.3% (2019: 7.5%) 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

- (1) 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 was required to satisfy certain financial covenants, failure to comply with such financial covenants 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 has been guaranteed by the Company and certain members of the Group have also provided guarantees and securities to secure the Loan.

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 cross default provisions in other loan agreements entered into by the Group.

As at the date of this announcement, certain financial covenants under the Loan Agreement have yet to be fulfilled, and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement and the outstanding principal amount under the Loan Agreement is approximately RMB19.8 million.

- (2) As disclosed in the February Joint Announcement, the Group has defaulted in the repayment of the certain loans and the aggregate outstanding principal amount under such loans is RMB198.6 million together with outstanding interest as at the date of this announcement. The maximum liability guaranteed by GBT is RMB199.0 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under such loan agreements.

Furthermore, Dajincang has defaulted in the repayment of loans with aggregate outstanding principal amount of RMB2.49 billion as at the date of this announcement, together with outstanding interest. The Guarantor Subsidiaries have provided guarantees to secure the obligations of Dajincang under the relevant loan agreements. As such, the default in repayment of such loans by the Group and the GBT Group may also trigger cross default of other loan agreements entered into by the Group and the GBT Group.

In mid-February 2020, the Company has been notified by BOC Jilin Branch that it has entered into a transfer agreement with 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 Transferred Loans which included, among others, the loans of the Group above which amounted to RMB198.6 million, together with outstanding interest and the Dajincang Loans at a consideration of approximately RMB815.7 million. After the completion of the transfer of the Transferred Loans, the management of the Group and the GBT Group continues to explore the next step of the debt restructuring plan with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GBT Group. However, up to the date of this announcement, the Group and Dajincang have yet to receive any demand nor waiver from the New Creditor and the outstanding principal amounts of the Transferred Loans owed by the Group and Dajincang were RMB198.6 million and RMB2.49 billion, respectively.

- (3) Reference is made to the joint announcement of the Company and GBT dated 4 May 2020. Under the various loan agreements (collectively, the “**Yuancheng Loan Agreements**”) entered into between Jinzhou Yuancheng, and each of 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) and 中國銀行股份有限公司錦州港支行 (Jinzhou Branch of Bank of China*) (collectively, the “**Yuancheng Lenders**”) for the aggregate principal amount of RMB219.9 million (collectively, the “**Yuancheng Loans**”), Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loans immediately due and payable. As at the date of this announcement, certain financial covenants under the Yuancheng Loan Agreements have yet to be fulfilled. Such breach entitles the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the Group.

As at the date of this announcement, Jinzhou Yuancheng has yet to receive any demand nor waiver from the Yuancheng Lenders, and the outstanding principal amount under the Yuancheng Loan Agreements is RMB219.9 million.

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 the Guarantor Subsidiaries in respect of the indebtedness of Dajincang due to Weifeng 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, Dajincang still did not have sufficient financial resources to repay the Dajincang Loans with aggregate outstanding principal amount of RMB2.49 billion, together with outstanding interest that was guaranteed by the Guarantor Subsidiaries to Weifeng BOC. The maximum guaranteed amount was RMB2.5 billion. As mentioned in the above section “Disclosure Pursuant To Rules 13.19 and 13.21 of the Listing Rules” under the headline “Breach of loan agreements”, the Group has been notified by BOC Jilin Branch in mid-February 2020 that it has entered into a transfer agreement with the New Creditor in relation to the Transferred Loans which included Dajincang Loans guaranteed by the Guarantor Subsidiaries. The Group and the GBT Group are still in discussion with the New Creditor on the next step of the debt restructuring plan. The Guarantor Subsidiaries have yet to receive any demand nor waiver from the New Creditor and the maximum principal amount guaranteed by the Guarantor Subsidiaries remained at RMB2.5 billion as at the date of this announcement. 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 Financial Guarantee Contracts in its interim and annual reports during the relevant periods when the Financial Guarantee Contracts is in effect.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Updates on the suspension of operation of certain subsidiaries of the Group and the impact of COVID-19

Reference is made to the announcement of the Company dated 24 September 2019, 10 February 2020 and 29 May 2020. Due to the poor sentiment of sweeteners market in Northeast China and the outbreak of COVID-19 in the PRC have been driven up the domestic corn prices significantly and impacted on the overall demand for corn refined products as downstream consumption shrank. The Board, having considered the pros and cons of continuing the upstream operation of the Group based on the then available financial information of the Group and assessed the then current market conditions, concluded that it was more favourable for the Group to suspend its upstream operation in Jinzhou site. In addition, the suspension of the upstream operation of GBT in the Xinglongshan site has cut off the supply of corn starch since the last quarter of 2019 and the poor sentiments in the sweeteners market as a result of the economic slowdown and the outbreak of COVID-19, the Board concluded that it was more favourable for the Group to continue the suspension of its downstream operations. As such, the operations of Dihao Foodstuff and Jinzhou Dacheng have been suspended since the last quarter of 2019. As at the date of this announcement, the overall operation of the Jinzhou site and the Xinglongshan site remained suspended. The management of the Group expects that the COVID-19 pandemic will continue to put pressure on the Group's business and affect the operations of the Group. The continued suspension of operation or low facility utilisation may have an impact on the performance and financial positions of the Group in various aspects, which may include the possibility of the impairment for financial assets and non-financial assets. The management of the Group will continue to assess the impact of the COVID-19 pandemic on financial positions of the Group and closely monitor the market conditions, the financial conditions of the Group and in particular, the development of COVID-19 outbreak, and will ensure that the production operation of such subsidiaries will resume as soon as possible to the extent practicable.

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2019 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, the proceeds from the compensation of the land resumption and through collaboration with industry players. 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 production facilities of the 60,000 MT per annum (“**mtpa**”) glucose/maltose production facilities and the 30,000 mtpa maltodextrin 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 bodies for approval. As such, the update time frame 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	Pending the availability of capital and favourable market condition
Corn refinery*	600,000	Pending the availability of capital and favourable market condition

- * The expected time for relocation of production facilities is subject to the final decision of the management from time to time 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 and the Company will provide update to its shareholders and potential investors by way of announcement as and when appropriate.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

There was no important event after the end of the Period up to the date of this announcement.

FUTURE PLANS AND PROSPECTS

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

The operating environment in the second half of 2020 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. The tension between China and the US will further add on the uncertainties in the economy and the pace of recovery. On top of this, the economic slowdown and the intensified market competition will further add pressure on the already lackluster market. In the short run, the Group will continue to monitor closely the development of the COVID-19 outbreak, the market conditions as well as the financial conditions of the Group and will ensure the operation of the Group’s subsidiaries to resume as soon as possible to the extent practicable so that the Group could maximise the synergistic effects amongst its various production sites for the supply of raw materials and serving their respective markets.

In the long run, the Group will continue to strengthen its market position utilising its brand name and be customer-oriented to understand better their ever-changing demand and product requirement and further improve cost effectiveness and product mix through continuous research and development efforts.

With respect to the financial position of the Group, the management will endeavour to facilitate the materialisation of the debt restructuring plan to improve the financial position of the Group and adopt a prudent approach in face of the current market condition.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2020, the Group had approximately 980 (31 December 2019: 1,000) 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 the 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 does not recommend the payment of any interim dividend in respect of the Period (six months ended 30 June 2019: Nil).

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND THE 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 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 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. Fan Yeran and Mr. Lo Kwing Yu.

The Audit Committee meets regularly with the Company's senior management, internal audit team and external 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 of the Company for the Period 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 2020

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. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu.