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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 2021

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2021	2020	Change %
	(Unaudited)	(Unaudited)	
Revenue (HK$'Mn)	**356.4**	434.6	(18.0)
Gross profit (HK$'Mn)	**13.6**	48.0	(71.7)
Profit (Loss) before tax (HK$'Mn)	**7.2**	(151.2)	N/A
Profit (Loss) for the period (HK$'Mn)	**7.2**	(151.2)	N/A
Basic earnings (loss) per share (HK cents)	**0.5**	(9.9)	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 2021 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**356,399**	434,576
Cost of sales		**(342,800)**	(386,608)
Gross profit		**13,599**	47,968
Other income and gains	*4*	**137,116**	6,227
Selling and distribution costs		**(26,676)**	(35,756)
Administrative expenses		**(44,500)**	(54,179)
Other expenses		**(30,710)**	(39,914)
Finance costs	*5*	**(41,599)**	(75,544)
PROFIT (LOSS) BEFORE TAX	*6*	**7,230**	(151,198)
Income tax expenses	*7*	**—**	—
PROFIT (LOSS) FOR THE PERIOD		**7,230**	(151,198)
OTHER COMPREHENSIVE (LOSS) INCOME			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(3,575)**	5,582
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD		**3,655**	(145,616)

	Notes	Six months ended 30 June **2021** **(Unaudited)** ***HK$'000***	 2020 (Unaudited) *HK$'000*
PROFIT (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		**7,230**	(151,198)
Non-controlling interests		**—**	—
		7,230	(151,198)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company		**3,733**	(145,683)
Non-controlling interests		**(78)**	67
		3,655	(145,616)
EARNINGS (LOSS) PER SHARE	*8*		
Basic		**HK0.5 cents**	HK(9.9) cents
Diluted		**HK0.5 cents**	HK(9.9) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**599,506**	622,975
Right-of-use assets		**68,133**	68,023
Deposits paid for acquisition of property, plant and equipment		–	16
Intangible assets		**1,704**	1,704
		669,343	692,718
CURRENT ASSETS			
Inventories		**62,525**	61,602
Trade receivables	*10*	**113,589**	96,047
Prepayments, deposits and other receivables	*11*	**33,590**	432,876
Due from fellow subsidiaries		**54,655**	–
Cash and bank balances		**13,005**	21,281
		277,364	611,806
CURRENT LIABILITIES			
Trade payables	*12*	**107,365**	253,200
Other payables and accruals		**262,814**	316,329
Lease liabilities		**1,099**	1,094
Interest-bearing bank and other borrowings		**738,172**	811,039
Due to fellow subsidiaries		–	90,804
Tax payables		**24,772**	24,434
		1,134,222	1,496,900
NET CURRENT LIABILITIES		**(856,858)**	(885,094)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(187,515)**	(192,376)

	Notes	30 June 2021 (Unaudited) HK$'000	31 December 2020 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**184,337**	184,524
Lease liabilities		**1,640**	–
Deferred income		**26,349**	27,202
Deferred tax liabilities		**21,362**	20,756
		233,688	232,482
NET LIABILITIES		**(421,203)**	(424,858)
CAPITAL AND RESERVES			
Share capital	*13*	**152,759**	152,759
Reserves		**(567,659)**	(571,392)
Deficit attributable to owners of the Company		**(414,900)**	(418,633)
Non-controlling interests		**(6,303)**	(6,225)
TOTAL DEFICIT		**(421,203)**	(424,858)

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. 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 Suite 1002, 10th Floor, Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, 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 2020.

2.2 GOING CONCERN

The Group recorded a profit of approximately HK$7.2 million (six months ended 30 June 2020: loss of approximately HK$151.2 million) for the Period and had net current liabilities of approximately HK$856.9 million (31 December 2020: approximately HK$885.1 million) and net liabilities of approximately HK$421.2 million (31 December 2020: approximately HK$424.9 million) as at 30 June 2021. 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 and creditors for the debt restructuring plan of the Group to improve its financial position

As announced by the Company and GBT on 23 December 2020, each of 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.*) ("**Jilin Branch ABC**") and 中國建設銀行股份有限公司吉林省分行 (Jilin Branch of China Construction Bank Corporation*) ("**Jilin Branch CCB**") announced that they have each reached 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.*) ("**China Cinda**") to transfer all rights and benefits of certain loans. Jilin Branch ABC has transferred all of its rights and benefits of the loans owed by, amongst others, the Group and the GBT Group with an aggregate outstanding principal amount of approximately RMB1,400.0 million and aggregate outstanding interest of approximately RMB42.8 million (the "**ABC Transferred Loans**") to China Cinda at a consideration of approximately RMB414.7 million; and Jilin Branch CCB has transferred all of its rights and benefits of the loans owed by the GBT Group with an aggregate outstanding principal amount of approximately RMB1,983.5 million with aggregate outstanding interest of approximately RMB128.5 million (the "**CCB Transferred Loans**") to China Cinda at a consideration of approximately RMB583.6 million.

In addition, as disclosed in the joint announcement of the Company and GBT dated 26 March 2021, each of the Group, the GBT Group and 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") (collectively, the "**BOC Borrowers**") entered into repurchase agreements with 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**") (collectively, the "**Repurchase Agreements**" and each, a "**Repurchase Agreement**"), pursuant to which Changchun Rudder had agreed to sell to each of the BOC Borrowers, and each of the BOC Borrowers had agreed to purchase, all of the rights and benefits of the loans owed to Changchun Rudder, which included, among others, the loans of the Group in the amount of approximately RMB198.6 million with outstanding interest (the "**GSH Indebtedness**"), the loans of the GBT Group (excluding the Group) in the amount of approximately RMB1.3 billion with outstanding interest and the indebtedness of Dajincang with an aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest (the "**Dajincang Indebtedness**"), which was guaranteed by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co. Ltd.*) ("**Dihao Foodstuff**"), an indirect wholly-owned subsidiary of the Company and certain subsidiaries of the GBT Group (collectively, the "**Guarantor Subsidiaries**"). The completion of the Repurchase Agreements took place on 31 March 2021. Upon the completion of the Repurchase Agreements, all the obligations of the Guarantor Subsidiaries pursuant to the financial guarantee contracts (the "**Financial Guarantee Contracts**") in respect of the Dajincang Indebtedness have been discharged. For details of the Repurchase Agreements, please refer to the joint announcements of the Company and GBT dated 26 March 2021 and 31 March 2021.

Following the discharge of the GSH Indebtedness as a result of completion of the Repurchase Agreements as set out above, the Group recorded a one-off gain on debt restructuring of approximately HK$128.3 million, being the difference between the considerations payable by the Group in the amount of RMB113,510,000 and the amount of the GSH Indebtedness. As a result, the net liabilities of the Group improved to approximately HK$421.2 million (31 December 2020: HK$424.9 million) as at 30 June 2021.

The Company, together with GBT, will endeavour to facilitate the implementation of the debt restructuring plan of the ABC Transferred Loans and the CCB Transferred Loans. It is currently expected that the debt restructuring plan of the ABC Transferred Loans and the CCB Transferred Loans could be completed by the end of 2021, pending and subject to the internal approval from the respective creditors and relevant local government authorities. The Board expects that upon the completion of the above debt restructuring plan, the financial position of the Group will improve significantly.

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

As detailed in the annual report of the Company for the year ended 31 December 2020 (the "**2020 Annual Report**"), in respect of the resumption of the land and buildings owned by the Group and the GBT Group which located in Luyuan District, Changchun, the People's Republic of China (the "**PRC**" or "**China**") (the "**Relevant Properties**"), the Group and the GBT Group have received an official document dated 28 April 2018 from the relevant authorities confirming the Relevant Properties being part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Subsequently, an execution announcement for the redevelopment under the PRC's Slum Redevelopment Policy was also issued on 30 October 2019.

The first phase of resumption involved the properties owned by Dihao Foodstuff (the "**Dihao Resumption**") 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 Resumption took place in 2020 and all the compensation in the amount of approximately RMB443.0 million has been received during the Period. For details of the Dihao Resumption, please refer to the joint announcements made by the Company and GBT on 24 August 2020 and 30 September 2020.

For the remaining part of the Relevant Properties owned by the Group with an aggregate area of land of approximately 100,000 square metres, it is expected that its resumption will be conducted by the local government by the end of 2021. The Directors expect that the proceeds from the resumption of the remaining part of the Relevant Properties owned by the Group will help to relieve the financial and cash flow pressure of the Group during the period of suspension.

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

The Group has taken various measures to minimise operating cash outflow and secure financial resources during market turbulence as a result of, among others, the coronavirus disease ("**COVID-19**") pandemic. During the Period, the Group has suspended the production operation of most of the Group's production facilities and consolidated its resources in the Shanghai production site.

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

The Group has received a renewed written confirmation dated 30 March 2021 from 吉林省農業投資集團有限公司 (Jilin Agricultural Investment Group Co., Ltd.) ("**Nongtou**", together with its subsidiaries, the "**Nongtou Group**") 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. Such assistance received by the Group is not secured by any assets of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value as at 30 June 2021 amounted to approximately RMB2,193.1 million (31 December 2020: approximately RMB2,327.4 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 Board, including the Audit Committee, is of the view that the Group would have sufficient working capital for at least 12 months from 30 June 2021.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 Group's 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 2020, 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 HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform — Phase 2

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 2020: 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	
	2021	2020	**2021**	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**754**	205,681	**355,645**	228,895	**356,399**	434,576
Intersegment sales	**–**	15,819	**–**	1,136	**–**	16,955
	754	221,500	**355,645**	230,031	**356,399**	451,531
Reconciliation:						
Elimination of intersegment sales					**–**	(16,955)
Revenue					**356,399**	434,576
Segment results	**(22,727)**	(29,830)	**(53,029)**	(42,370)	**(75,756)**	(72,200)
Reconciliation:						
Unallocated bank interest and other corporate income					**38**	195
Corporate and other unallocated expenses					**(3,732)**	(3,649)
Gain on debt restructuring					**128,279**	—
Finance costs					**(41,599)**	(75,544)
Profit (Loss) before tax					**7,230**	(151,198)
Income tax expenses					**—**	—
Profit (Loss) for the Period					**7,230**	(151,198)

(b) Geographical information

Six months ended 30 June

	The PRC		Asian regions and others		Total	
	2021	2020	**2021**	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Revenue from external customers	**349,065**	415,720	**7,334**	18,856	**356,399**	434,576

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	**356,399**	434,576
Other income and gains		
Amortisation of deferred income	**1,181**	1,077
Bank interest income	**38**	195
Government grants (b)	**86**	162
Gain on debt restructuring (c)	**128,279**	–
Gain on disposal of property, plant and equipment	**1**	–
Subcontracting income	**2,555**	1,291
Rental income	**1,080**	–
Reversal of impairment of prepayments, deposits and other receivables, net	**1,538**	–
Reversal of impairment of trade receivables, net	**611**	1,092
Wavier of payables	**–**	810
Others	**1,747**	1,600
	137,116	6,227

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 certain subsidiaries of the Company with no further obligations and conditions to be complied with.

(c) The details of debt restructuring was set out in note 2.2(1) to the condensed consolidated financial statements.

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**32,031**	27,834
Interest on trade payables	**9,543**	47,150
Interest on lease liabilities	**25**	57
Finance costs for discounted bills receivables	**–**	503
	41,599	75,544

6. PROFIT (LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	**35,969**	37,792
— Pension scheme contributions (a)	**13,172**	6,131
	49,141	43,923
Cost of inventories sold (b)	**342,301**	383,435
Depreciation		
— Property, plant and equipment	**30,591**	37,825
— Right-of-use assets	**3,770**	4,572
Amortisation of deferred income	**(1,181)**	(1,077)
Foreign exchange loss, net	**126**	124
Gain on debt restructuring	**(128,279)**	–
Gain on disposal of property, plant and equipment	**(1)**	–
Impairment of deposits paid for acquisition of property, plant and equipment	**16**	62
Rental income	**(1,080)**	–
Reversal of write-down of inventories, net, included in cost of sales	**(420)**	(671)
Reversal of impairment of trade receivables, net	**(611)**	(1,092)
(Reversal of impairment) Impairment of prepayments, deposits and other receivables, net	**(1,538)**	2,118

Remarks:

(a) During the six months ended 30 June 2020, the government of the PRC granted reductions or exemptions from pension scheme contributions to certain subsidiaries operating in the PRC due to the COVID-19 pandemic.

(b) Cost of inventories sold includes employee benefit expenses, depreciation and reversal of 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 2020.

During the Period and the six months ended 30 June 2020, no provision for the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share for the Period is based on the profit attributable to owners of the Company for the Period of approximately HK$7,230,000 (six months ended 30 June 2020: loss attributable to owners of the Company of approximately HK$151,198,000) and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 shares (six months ended 30 June 2020: 1,527,586,000 shares).

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as there was no potential dilutive ordinary shares outstanding during the Period and the six months ended 30 June 2020.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Period (six months ended 30 June 2020: Nil).

10. TRADE RECEIVABLES

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**193,727**	175,336
Loss allowance	**(80,138)**	(79,289)
	113,589	96,047

The Group normally grants credit terms of 30 to 90 days (31 December 2020: 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 receivables are non-interest-bearing. At the end of the reporting period, the Group had a concentration of credit risk as 20.4% (31 December 2020: 14.5%) and 63.2% (31 December 2020: 47.7%) of the total trade receivables that were due from the Group's largest customer and the five largest customers respectively.

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

	30 June 2021 (Unaudited) ***HK$'000***	31 December 2020 (Audited) *HK$'000*
Within 1 month	**66,641**	59,313
1 to 2 months	**36,527**	22,942
2 to 3 months	**6,099**	6,086
Over 3 months	**4,322**	7,706
	113,589	96,047

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) ***HK$'000***	31 December 2020 (Audited) *HK$'000*
Prepayments	**9,889**	7,498
Deposits and other debtors	**7,474**	1,009
The PRC value-added tax ("**VAT**") and other tax receivables	**16,227**	16,053
Receivables from the Dihao Resumption	**—**	408,316
	33,590	432,876

12. TRADE PAYABLES

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade payables		
— To third parties	**107,365**	83,591
— To the Nongtou Group (a)	**–**	169,609
	107,365	253,200

Remark:

(a) The trade payables to the Nongtou Group are unsecured and interest-bearing at 11.0% per annum (31 December 2020: 11.0% per annum) after the credit periods lapsed. The outstanding balances were fully repaid during the Period.

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2020: 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 2021	31 December 2020
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**42,110**	20,267
1 to 2 months	**1,524**	62,268
2 to 3 months	**241**	291
Over 3 months	**63,490**	170,374
	107,365	253,200

13. SHARE CAPITAL

	30 June 2021 (Unaudited) ***HK$'000***	31 December 2020 (Audited) *HK$'000*
Authorised:		
100,000,000,000 (31 December 2020: 100,000,000,000) ordinary shares of HK$0.10 each	**10,000,000**	10,000,000
Issued and fully paid:		
1,527,586,000 (31 December 2020: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

14. FINANCIAL GUARANTEE CONTRACTS

The Guarantor Subsidiaries have jointly provided corporate guarantees in respect of the financing facilities granted to Dajincang since 2010. The maximum amount of the financing facilities was RMB2.5 billion at 31 December 2020. Since the management of 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 in respect of the Financial Guarantee Contracts has been recognised in the Group's consolidated financial statements as at 31 December 2020.

As mentioned in note 2.2 to the condensed consolidated financial statements, upon the completion of the Repurchase Agreement between Dajincang and Changchun Rudder on 31 March 2021, the financial guarantee obligation of the Guarantor Subsidiaries pursuant to the Financial Guarantee Contracts have been discharged under the applicable law in the PRC.

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 (which includes glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (which includes 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 COVID-19 pandemic continued to put pressure on the global economy. However, as different countries started rolling out COVID-19 vaccination programmes during the Period, infection cases in most countries have dropped from their peaks. There were signs of economic recovery in major economies such as the PRC and the United States (the "**US**"). In the PRC, recovery pace was especially prominent as compared with other countries. China recorded a 7.9% year-on-year growth in the gross domestic product for the second quarter of 2021. Such growth was driven by recoveries in the retail sales and industrial production. Nevertheless, surging commodity prices have significantly narrowed the profit margins of many businesses as manufacturers avoided raising prices to stay competitive. On the other hand, travel restrictions and other COVID-19 prevention measures continued to affect certain industries such as the hospitality and airline industries, causing an unbalanced recovery. Although the PRC economy is on the trajectory of recovery, investment in the manufacturing industry and employment rate have yet to return to the levels before the outbreak of COVID-19. The operating environment of the Group remained challenging throughout the Period.

As disclosed in the 2020 Annual Report, the lockdown in the PRC in the first quarter of 2020 significantly lowered the demand for feed products. In addition, competition in the PRC sweeteners market intensified as market shrank. The situation escalated as the extra tariff on out-of-quota sugar imports expired in May 2020. Sugar imports in China surged from 3.39 million metric tonnes ("**MT**") in 2019 to 4.35 million MT in 2020 as a result. In light of the challenging operating environment, the Group has suspended the operations of most of its production facilities in the PRC since February 2020. For details of the suspension, please refer to the Company's announcements dated 24 September 2019, 10 February 2020 and 29 May 2020 (collectively, the "**Suspension of Operation Announcements**").

With respect to corn supply, global corn production for the year 2021/22 is estimated at 1,194.8 million MT (2020/21: 1,133.9 million MT), according to the estimates from the United States Department of Agriculture in July 2021. During the Period, huge demand from China together with increased corn consumption from the feed and bio-ethanol sectors in the US have kept international corn price at high level. International corn price once hit the highest level since 2012 at 773 US cents in May 2021. As at 30 June 2021, international corn price increased significantly to 720 US cents per bushel (equivalent to RMB1,831 per MT) as compared with 484 US cents per bushel (equivalent to RMB1,231 per MT) at the end of 2020. In the PRC, corn harvest in 2021/22 is estimated to produce approximately 271.8 million MT (2020/21: approximately 260.7 million MT) of corn, with consumption volume estimated at 293.7 million MT for 2021 (2020: 289.2 million MT). A shortage of corn of approximately 22 million MT is expected in the PRC in 2021. To make up the shortfall, China has been importing corn during the Period. According to the General Administration of Customs of the PRC, China imported approximately 15.9 million MT of corn during the first five months of 2021. It is estimated that China's corn import will reach 26.0 million MT (2020: 11.3 million MT) in 2021. Despite this, domestic corn price has continued to surge during the Period and reached RMB2,790 per MT (end of June 2020: RMB2,158 per MT) by the end of June 2021. However, the recovery pace in the downstream user market has been lagging behind the rising corn cost. In addition, during the first quarter of 2021, there were outbreaks of the African Swines Fever (the "**ASF**") in certain pig producing regions in China. Pig producers quickly increased the number of pigs slaughtered to avoid the spread of the ASF. The sudden drop in the number of livestocks has slowed down the recovery of the feed market and put the selling price of the Group's upstream products under pressure. As such, it was not commercially viable for the Group to resume the production operation of the upstream corn refinery. As a result, the Group continued to suspend its upstream operation during the Period. Consequently, the performance of the Group's upstream business was adversely affected during the Period. The Group will continue to monitor the 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 sugar production volume for 2020/21 was 179.0 million MT (2019/20: 166.2 million MT). Although the COVID-19 pandemic had an impact on sugar consumption, industry estimates still show demand growth for sugar in 2020/21, leading to a sugar deficit of 3.1 million MT. As a result, international sugar price increased to 17.63 US cents per pound (equivalent to RMB2,517 per MT) (end of June 2020: 11.84 US cents per pound, equivalent to RMB1,853 per MT) by the end June of 2021. In the PRC, domestic sugar production reached 10.7 million MT (2019/20: 10.4 million MT) in 2020/21 harvest, while consumption stayed at around 15.2 million MT. As a result, domestic sugar price rose to RMB5,690 per MT (end of June 2020: RMB5,573 per MT) by the end of June 2021. Nevertheless, due to the changes in consumption patterns as a result of the COVID-19 prevention measures during the pandemic, people have reduced the frequency of dining out. The recovery pace of catering and other related industries has been slow, putting pressure on the recovery of the sweeteners market. In addition, the rising corn cost has further squeezed the profit margins of the Group's downstream sweetener products. As such, the Group has continued to suspend the operation of the downstream sweeteners production facilities in the Jinzhou and Xinglongshan sites and consolidated its resources into the Shanghai production site which has higher operational efficiency during the Period. 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 of the Group in the second half of 2021 will continue to be challenging as the PRC corn price is expected to remain high throughout 2021. On top of this, the continued impact of the COVID-19 pandemic and the emergence of COVID-19 variants will continue to pose unknown threats to the global economy and slow down the pace of recovery. In the short run, businesses will have to find their ways to survive with the continued existence of the COVID-19 pandemic. The Group will continue to monitor closely the market conditions as well as the financial conditions of the Group, and assess the viability of various business segments to determine the best timing to resume the operation of the Group's subsidiaries 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, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, and further improve cost effectiveness and product mix through continuous research and development efforts.

FINANCIAL PERFORMANCE

During the Period, the continued impact of the COVID-19 pandemic and high corn price in China have narrowed the profit margin of the Group's products (especially the upstream products). As such, the Group has continued to suspend all of its upstream operation and most of its downstream operation during the Period and consolidated its resources into the Shanghai production site which has higher operational efficiency to minimise financial risks and secure financial resources during the time of economic uncertainty. Consequently, the consolidated revenue of the Group dropped by 18.0% to approximately HK$356.4 million (2020: HK$434.6 million) during the Period. Notwithstanding the improvement in corn sweetener prices as driven by rising sugar price and the effort of the Group to optimise its operation to stay competitive during the Period, the increase in the average selling price of the Group's sweetener products was offset by the increase of corn cost. This has further squeezed the profit margins of the sweetener products. As a result, the gross profit of the Group declined by 71.7% to approximately HK$13.6 million (2020: HK$48.0 million), while the gross profit margin dropped by approximately 7.2 percentage points to approximately 3.8% (2020: 11.0%).

Despite this, the continuous effort of the Group to lower costs through stringent cost control during the Period has resulted in the reduction of the Group's operating cost by approximately 21.5% to approximately HK$101.9 million (2020: HK$129.8 million). In addition, during the Period, the management of the Group has been actively negotiating with suppliers on repayment terms. As a result, the finance cost of the Group decreased by 44.9% to approximately HK$41.6 million (2020: HK$75.5 million).

During the Period, following the completion of the Repurchase Agreements dated 26 March 2021 entered into between Dihao Foodstuff and Changchun Rudder (the "**Completion of the GSH Repurchase Agreements**"), pursuant to which Dihao Foodstuff purchased its debt owed to Changchun Rudder in the aggregate principal amount of RMB198.6 million with outstanding interest at the consideration of RMB113,510,000, the Group's financial obligations in relation to the GSH Indebtedness has been discharged. As result, the Group recognised a one-off gain on debt restructuring of approximately HK$128.3 million. Consequently, the Group recorded a net profit of approximately HK$7.2 million (2020: net loss: HK$151.2 million), with EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation) of approximately HK$83.2 million (2020: LBITDA (i.e. loss before interest, taxation, depreciation and amortisation): HK$33.3 million) for the Period.

Upstream products

(Sales amount: HK$0.8 million (2020: HK$205.7 million))
(Gross profit: HK$0.1 million (2020: HK$19.6 million))

As the upstream operation in the Jinzhou site has been suspended since the second quarter of 2020 and most of the inventories have been sold in 2020, no revenue (2020: HK$159.6 million) from corn starch was recorded during the Period. Meanwhile, revenue of other corn refined products decreased significantly to approximately HK$0.8 million (2020: HK$46.1 million) as a result of the decline in sales volume by approximately 99.1% to approximately 200 MT (2020: 22,000 MT) during the Period. No internal consumption of corn starch (2020: 7,000 MT) was recorded during the Period.

Consequently, the Group's upstream products segment recorded an insignificant gross profit of approximately HK$0.1 million (2020: HK$19.6 million) with gross profit margin of approximately 12.5% (2020: 9.5%).

Corn Sweeteners

Corn syrup

(Sales amount: HK$297.4 million (2020: HK$175.5 million))
(Gross profit: HK$13.4 million (2020: HK$21.8 million))

As the COVID-19 pandemic in China stabilised during the Period with sugar price increased year-on-year, the revenue of the corn syrup segment increased by approximately 69.5% to approximately HK$297.4 million (2020: HK$175.5 million). Such increase was mainly attributable to the increase in sales volume by approximately 30.9% to approximately 72,000 MT (2020: 55,000 MT). However, the increase in the selling price of corn syrup did not keep up with the increase in the raw material cost. As such, the gross profit and gross profit margin of the corn syrup segment dropped to approximately HK$13.4 million (2020: HK$21.8 million) and 4.5% (2020: 12.4%) respectively, during the Period.

Corn syrup solid

(Sales amount: HK$58.2 million (2020: HK$53.4 million))
(Gross profit: HK$0.1 million (2020: HK$6.6 million))

During the Period, the sales volume of corn syrup solid, which was entirely maltodextrin, declined by approximately 10.5% to approximately 17,000 MT (2020: 19,000 MT) as a result of the suspensions in the Xinglongshan site and the Jinzhou site with most of their inventories exhausted in 2020. As the selling price of maltodextrin has improved during the Period, the revenue of maltodextrin increased by approximately 9.0% to approximately HK$58.2 million (2020: HK$53.4 million). However, as the increase in selling price did not keep up with the rising corn cost, the gross profit and gross profit margin of the corn syrup solid segment decreased to approximately HK$0.1 million (2020: HK$6.6 million) and 0.2% (2020: 12.4%), respectively.

Export sales

During the Period, export sales accounted for approximately 2.1% (2020: 4.3%) of the Group's total revenue. The Group exported approximately 2,000 MT (2020: 1,000 MT) of corn sweeteners which amounted to sales of approximately HK$7.3 million (2020: HK$3.0 million) during the Period. No export sales of upstream corn refined products was recorded during the Period (2020: HK$15.9 million).

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 increased by approximately 2,111.3% to approximately HK$137.1 million (2020: HK$6.2 million) as a result of the recognition of a one-off gain on debt restructuring of approximately HK$128.3 million subsequent to the Completion of the GSH Repurchase Agreements.

Selling and distribution costs

During the Period, selling and distribution costs dropped by approximately 25.4% to approximately HK$26.7 million (2020: HK$35.8 million), accounting for approximately 7.5% (2020: 8.2%) of the Group's total revenue. Such decrease was mainly attributable to the decrease in transportation and packaging costs as a result of the decline in sales volume during the Period.

Administrative expenses

During the Period, administrative expenses decreased by approximately 17.9% to approximately HK$44.5 million (2020: HK$54.2 million), representing approximately 12.5% (2020: 12.5%) of the Group's total revenue. Such decrease was mainly attributable to the decrease in depreciation expenses by approximately 36.3% to HK$15.3 million (2020: HK$24.0 million) as a result of the completion of the Dihao Resumption in the second half of 2020 and the effective cost control policy of the Group during the Period.

Other expenses

Other expenses of the Group decreased to approximately HK$30.7 million (2020: HK$39.9 million) during the Period. Such decrease was mainly attributable to the decrease in expenses in relation to the idle capacity of certain production facilities to approximately HK$24.3 million (2020: HK$36.8 million) as a result of the completion of the Dihao Resumption in the second half of 2020 and the effective cost control policy of the Group during the Period.

Finance costs

During the Period, finance costs of the Group decreased to approximately HK$41.6 million (2020: HK$75.5 million) as a result of the decrease in interest on trade payables to approximately HK$9.5 million (2020: HK$47.2 million).

Income tax expenses

During the Period, as all the subsidiaries of the Group recorded tax losses or the estimated assessable profits are wholly absorbed by tax losses brought forward from previous years, no income tax expenses were incurred for the Period (2020: Nil).

Profit (Loss) attributable to shareholders

As a result of the one-off gain on debt restructuring of approximately HK$128.3 million from the Completion of the GSH Repurchase Agreements during the Period, the Group recorded a net profit of approximately HK$7.2 million (2020: net loss: HK$151.2 million).

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

Capital structure

The capital structure of the Group consists of debts, which mainly include interest-bearing bank and other borrowings and equity reserves attributable to owners of the Company which comprise issued ordinary shares and various reserves. The Directors shall reviews the Group's cost and risks of capital on a semi-annual basis with the aim to achieve the optimal capital structure for the Group.

Net borrowing position

The total interest-bearing bank and other borrowings of the Group as at 30 June 2021 decreased by approximately HK$73.1 million to approximately HK$922.5 million (31 December 2020: HK$995.6 million) was mainly attributable to the Completion of the GSH Repurchase Agreements during the Period, while cash and bank balances as at 30 June 2021 decreased by HK$8.3 million to approximately HK$13.0 million (31 December 2020: HK$21.3 million). As such, the net borrowings decreased to approximately HK$909.5 million (31 December 2020: HK$974.3 million).

Structure of interest-bearing bank and other borrowings

As at 30 June 2021, the Group's interest-bearing bank and other borrowings amounted to approximately HK$922.5 million (31 December 2020: HK$995.6 million), all (31 December 2020: all) of which were denominated in Renminbi. The percentage of interest-bearing bank and other borrowings wholly repayable within one year and in the second to the fifth years were 80.0% and 20.0% (31 December 2020: 81.5% and 18.5%), respectively.

As at 30 June 2021, interest-bearing bank and other borrowings amounted to approximately HK$274.1 million (31 December 2020: HK$213.0 million) have been charged at fixed interest rates of approximately 5.8% to 8.0% per annum (31 December 2020: 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 were 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. During the Period, trade receivable turnover days increased to approximately 58 days (31 December 2020: 46 days) as longer credit periods were granted to a number of customers with good track records.

During the Period, trade payables turnover days decreased to approximately 57 days (31 December 2020: 134 days) as the Group has actively negotiated with its suppliers on repayment plans mutually agreed among the parties during the Period.

The Group's inventory level maintained at similar level at approximately HK$62.5 million (31 December 2020: HK$61.6 million) at 30 June 2021. Consequently, the inventory turnover days remained at 33 days (31 December 2020: 33 days) for the Period.

As at 30 June 2021, the current ratio and quick ratio decreased to approximately 0.2 (31 December 2020: 0.4) and 0.2 (31 December 2020: 0.4) respectively. Such declines were mainly due to the decrease of 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 184.0% (31 December 2020: 174.4%). To improve the financial position of the Group, the Company has adopted several strategic measures as mentioned in note 2.2 to the condensed consolidated financial statements.

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 2.1% (2020: 4.3%) of the Group's revenue were mostly 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 fluctuations. 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 as at the date of this announcement.

(2) Reference is made to the joint announcement of the Company and GBT dated 4 May 2020. Under the various loan agreements (collectively, the "**Yuancheng CCB Loan Agreements**") entered into between 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**"), which is an indirect wholly-owned subsidiary of the Company, and 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) ("**Jinzhou CCB**") for the aggregate principal amount of RMB189.9 million (collectively, the "**Yuancheng CCB Loans**"), Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle Jinzhou CCB to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng CCB Loans immediately due and payable. The maximum liability jointly guaranteed by the Company, GBT and certain members of the Group is RMB200.0 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the Yuancheng CCB Loan Agreements. As at

the date of this announcement, Jinzhou Yuancheng has failed to fulfill certain financial covenants under the Yuancheng CCB Loan Agreements. Such breach entitles Jinzhou CCB to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng CCB 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 waiver from Jinzhou CCB and the outstanding principal amount under the Yuancheng CCB Loan Agreements is approximately RMB189.9 million as at the date of this announcement.

(3) Reference is made to the joint announcement of the Company and GBT dated 23 December 2020 regarding the fixed-term loan under a loan agreement entered into between Dihao Foodstuff and 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.*) ("**Nongan Branch ABC**") with aggregate outstanding principal amount of RMB180.0 million, together with respective outstanding interest have become immediately due and payable before their maturity date in June 2021 in contemplation of the debt restructuring plan of the Group and the GBT Group. Dihao Foodstuff has defaulted in the repayment of such loan. The maximum liability guaranteed by the Company is RMB250.0 million, together with all interests, liabilities, fees and penalty that may accrue under the loan agreement. Dihao Foodstuff and 長春帝豪結晶糖開發實業有限公司 (Changchun Dihao Crystal Sugar Industry Development Co., Ltd.*) have also provided collaterals to secure such loan. As at the date of this announcement, the outstanding principal under such loan agreement is RMB180.0 million.

In addition, such default in repayment of such loans by the Group may also trigger cross default of other loan agreements entered into by the Group.

As disclosed in the joint announcement of the Company and GBT dated 23 December 2020, the transfer agreement entered into between Jilin Branch ABC and China Cinda, Jilin Branch ABC (acting on behalf of Nongan Branch ABC) has agreed to sell to China Cinda, and China Cinda has agreed to purchase, all of its rights and benefits of the ABC Transferred Loans at a consideration of approximately RMB414.7 million. The ABC Transferred Loans include, among others, the loan of the Group mentioned above with the principal amount of RMB180.0 million. The Company, together with GBT, will endeavour to facilitate the implementation of the next step of the debt restructuring plan for the ABC Transferred Loans with the aim to improve the financial position of the Group and the GBT Group.

(4) Reference is made to the joint announcement of the Company and GBT dated 27 April 2021 regarding the fixed-term loan under a loan agreement (the "**Jinzhou BOC Loan Agreement**) entered into between Jinzhou Yuancheng and 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*). Jinzhou Yuancheng has defaulted in the repayment of such loan and the outstanding principal amount under the Jinzhou BOC Loan Agreement is RMB30.0 million, together with outstanding interests. The maximum liability guaranteed by the Group is RMB36.8 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the Jinzhou BOC Loan Agreement. 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, the outstanding principal under the Jinzhou BOC Loan Agreement is RMB30.0 million.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Updates on the suspension of operation of certain subsidiaries of the Group

Reference is made to the Suspension of Operation Announcements. Due to the continued impact of the COVID-19 pandemic and the upsurge of the domestic corn price during the Period, the operating environment of the Group's products remained challenging. Although selling prices of various product lines improved as China market recovered, such price improvement was not able to offset the rise in raw material costs. As such, it was still not commercially viable for the Group to resume the suspended operations and the Group has maintained its strategy to suspend the operation of those subsidiaries and focus its resources on the operation in Shanghai which has higher operational efficiency to minimise cash outflow and retain its financial resources. The management of the Group expects that the COVID-19 pandemic will linger for a relatively long period of time and business operators have to adapt to the changes the pandemic would bring about. The management believes that in the short run, based on the current corn price and the pace of recovery of the downstream user market, the continued suspension of operation of the suspended subsidiaries and production facilities is the optimal approach for the Group at the moment. Nevertheless, the Group will continue to closely monitor the market conditions and the financial conditions of the Group, and seek opportunity to partially resume the production facilities as soon as possible to the extent practicable.

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2020 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 and the resumption of the Relevant Properties owned by the Group.

Due to the challenging economic environment and the continued impact of the COVID-19 pandemic, the initial plan for the relocation of the Group's production facilities has been placed on hold in light of the changing market conditions and pending the availability of capital and favourable market conditions. The Group will continue to assess the changing market conditions and the progress of the resumption of the Relevant Properties owned by the Group so as to update and revise the feasibility studies of the relocation plan for submission to, among others, the relevant government bodies for approval. The Group will make announcement to inform its shareholders and potential investors for the latest updates of the relocation of production facilities to the Xinglongshan Site as 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 and introduce strategic business alliance with prominent market leaders.

The operating environment in the second half of 2021 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy and the pace of recovery. In the short run, businesses will have to find their ways to survive with the continued existence of the COVID-19 pandemic. The Group will continue to monitor closely the market conditions as well as the financial conditions of the Group, and assess the viability of various business lines to determine the best timing to resume the operation of the Group's subsidiaries 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, strive to provide excellent customer service and be customer-oriented to understand better their ever-changing demands and product requirements, 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 2021, the Group had approximately 950 (31 December 2020: 950) 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 on 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 dividend in respect of the Period (six months ended 30 June 2020: 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 the best practices.

To the best knowledge and belief of the Board, 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 of the Listing Rules (the "**Model Code**"). Having made specific enquiry of each of the Directors, all the Directors have confirmed to the Company that they have complied with the required standards 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 all independent non-executive Directors, namely, Mr. Fong Wai Ho (chairman of the Audit Committee), Mr. Fan Yeran and Mr. Lo Kwing Yu.

The Audit Committee has discussed with the management of the Company for the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited condensed consolidated financial statements for the Period.

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 2021

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zhang Zihua and Mr. Tai Shubin; and three independent non-executive Directors, namely, Mr. Fan Yeran, Mr. Fong Wai Ho and Mr. Lo Kwing Yu.