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 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022	2021	Change %
	(Unaudited)	(Unaudited)	
Revenue (HK$'Mn)	**155.0**	356.4	(56.5)
Gross profit (HK$'Mn)	**11.2**	13.6	(17.6)
(Loss) Profit before tax (HK$'Mn)	**(117.5)**	7.2	N/A
(Loss) Profit for the period (HK$'Mn)	**(117.5)**	7.2	N/A
Basic (loss) earnings per share (HK cents)	**(7.7)**	0.5	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 2022 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**154,972**	356,399
Cost of sales		**(143,781)**	(342,800)
Gross profit		**11,191**	13,599
Other income and gains	*4*	**3,478**	137,116
Selling and distribution costs		**(16,203)**	(26,676)
Administrative expenses		**(43,734)**	(44,500)
Other expenses		**(35,456)**	(30,710)
Finance costs	*5*	**(36,779)**	(41,599)
(LOSS) PROFIT BEFORE TAX	*6*	**(117,503)**	7,230
Income tax expenses	*7*	**—**	—
(LOSS) PROFIT FOR THE PERIOD		**(117,503)**	7,230
OTHER COMPREHENSIVE INCOME (LOSS)			
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		**17,124**	(3,575)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(100,379)**	3,655

	Notes	Six months ended 30 June **2022** **(Unaudited)** ***HK$'000***	2021 (Unaudited) *HK$'000*
(LOSS) PROFIT ATTRIBUTABLE TO:			
Owners of the Company		**(117,503)**	7,230
Non-controlling interests		**—**	—
		(117,503)	7,230
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(100,612)**	3,733
Non-controlling interests		**233**	(78)
		(100,379)	3,655
(LOSS) EARNINGS PER SHARE	*8*		
Basic		**HK(7.7) cents**	HK0.5 cents
Diluted		**HK(7.7) cents**	HK0.5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 (Unaudited) HK$'000	31 December 2021 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**562,246**	611,280
Right-of-use assets		**60,744**	66,562
Intangible assets		**1,704**	1,704
		624,694	679,546
CURRENT ASSETS			
Inventories		**55,935**	65,612
Trade receivables	*10*	**52,561**	99,667
Prepayments, deposits and other receivables	*11*	**20,239**	48,750
Due from fellow subsidiaries		**16,460**	33,675
Cash and bank balances		**5,531**	7,827
		150,726	255,531
CURRENT LIABILITIES			
Trade payables	*12*	**75,193**	113,804
Other payables and accruals		**355,564**	313,672
Lease liabilities		**948**	946
Interest-bearing bank and other borrowings		**870,122**	927,540
Tax payables		**24,238**	25,116
		1,326,065	1,381,078
NET CURRENT LIABILITIES		**(1,175,339)**	(1,125,547)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(550,645)**	(446,001)

	Notes	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**692**	1,123
Deferred income		**23,424**	25,476
Deferred tax liabilities		**26,193**	27,975
		50,309	54,574
NET LIABILITIES		**(600,954)**	(500,575)
CAPITAL AND RESERVES			
Share capital	*13*	**152,759**	152,759
Reserves		**(747,564)**	(646,952)
Deficit attributable to owners of the Company		**(594,805)**	(494,193)
Non-controlling interests		**(6,149)**	(6,382)
TOTAL DEFICIT		**(600,954)**	(500,575)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act, 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, 10^{th} 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 Company's ultimate holding company is Global Bio-chem Technology Group Company Limited ("**GBT**", 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 2021.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$117.5 million (six months ended 30 June 2021: profit of approximately HK$7.2 million) for the Period and had net current liabilities of approximately HK$1,175.3 million (31 December 2021: approximately HK$1,125.5 million) and net liabilities of approximately HK$601.0 million (31 December 2021: approximately HK$500.6 million) as at 30 June 2022. 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, among others, 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**") announced that Jilin Branch ABC, acting on behalf of 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**"), has 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 the loans owed by, among 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.

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, (i) the loans owed by the Group in the amount of approximately RMB198.6 million with outstanding interest; (ii) the loans owed by the GBT Group (excluding the Group) in the amount of approximately RMB1.3 billion with outstanding interest; and (iii) 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 Agreement between Dajincang and Changchun Rudder, all the obligations of the Guarantor Subsidiaries pursuant to 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.

The Company, together with GBT, will endeavour to facilitate the implementation of the next stage of the debt restructuring plan. It is currently expected that debt restructuring in relation to a portion of the loans owed by the Group and the GBT Group could be completed by the end of 2022, pending and subject to the internal approval from the respective creditors and relevant local government authorities. The Directors expect that upon the completion of the debt restructuring plan, the financial position of the Group will improve significantly.

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

The first phase of the resumption of the land and buildings owned by the Group and the GBT Group which are located in Luyuan District, Changchun, the People's Republic of China (the "**PRC**" or "**China**") (the "**Relevant Properties**") under the PRC's Slum Redevelopment Policy 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 had been received during the first half of 2021. 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 the resumption will be conducted by the local government in 2022. 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 of operation of most of the Group's production facilities.

(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 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 an updated written confirmation dated 25 April 2022 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 2022 amounted to approximately RMB2,128.6 million (31 December 2021: approximately RMB2,323.5 million). It is tasked to consolidate the state-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group and the GBT Group.

(5) Introducing potential investors to the Company

The management of the Company has been looking for opportunities for co-operation and potential investment with different industrial players or investors in order to strengthen the financial positions and the business profile of the Group. As announced by the Company on 24 July 2022, the Company entered into a subscription agreement (the "**Subscription Agreement**") with an independent third party, namely, Hartington Profits Limited ("**Hartington Profits**"), a company incorporated in the British Virgin Islands with limited liability, on 24 July 2022, pursuant to which Hartington Profits has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 305,517,200 new ordinary shares (the "**Subscription Shares**") at the subscription price of HK$0.1 per Subscription Share (the "**Subscription**"). The gross proceeds from the Subscription will amount to approximately HK$30,551,720 and it is estimated that the net proceeds from the Subscription, after the deduction of relevant expenses, will be approximately HK$30,000,000. The net price of each Subscription Share is therefore estimated to be approximately HK$0.098. The Group will utilise the proceeds from the Subscription for repayment of bank and other borrowings/payables of the Group's PRC subsidiaries and procurement of corn and other operational expenses. The Directors believe that the proceeds from the Subscription will contribute to the partial resumption of operation of the Group's production facilitates in Jinzhou so as to bring in operating cash inflow to the Group in 2022.

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 2022. 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 2021, 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 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs	2018–2020 Cycle

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 2021: 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.

(a) **Segment results**

Six months ended 30 June

	Corn refined products		Corn sweeteners		Total	
	2022	2021	**2022**	2021	**2022**	2021
	(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	**154,972**	355,645	**154,972**	356,399
Segment results	**(27,583)**	(22,727)	**(50,058)**	(53,029)	**(77,641)**	(75,756)
Reconciliation:						
Unallocated bank interest and other corporate income					**9**	38
Corporate and other unallocated expenses					**(3,092)**	(3,732)
Gain on debt restructuring					**—**	128,279
Finance costs					**(36,779)**	(41,599)
(Loss) Profit before tax					**(117,503)**	7,230
Income tax expenses					**—**	—
(Loss) Profit for the Period					**(117,503)**	7,230

(b) **Geographical information**

Six months ended 30 June

	The PRC		Asian regions and others		Total	
	2022	2021	**2022**	2021	**2022**	2021
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**149,997**	349,065	**4,975**	7,334	**154,972**	356,399

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	**154,972**	356,399
Other income and gains		
Amortisation of deferred income	**1,181**	1,181
Bank interest income	**9**	38
Foreign exchange gain, net	**158**	—
Government grants (b)	**40**	86
Gain on debt restructuring	**—**	128,279
Gain on disposal of property, plant and equipment	**—**	1
Subcontracting income	**432**	2,555
Rental income	**1,212**	1,080
Reversal of impairment of prepayments, deposits and other receivables, net	**—**	1,538
Reversal of impairment of trade receivables, net	**25**	611
Others	**421**	1,747
	3,478	137,116

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.

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**36,772**	32,031
Interest on trade payables	**—**	9,543
Interest on lease liabilities	**7**	25
	36,779	41,599

6. (LOSS) PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	**31,201**	35,969
— Pension scheme contributions (a)	**9,925**	13,172
	41,126	49,141
Cost of inventories sold (b)	**143,781**	342,301
Depreciation		
— Property, plant and equipment	**31,342**	30,591
— Right-of-use assets	**3,145**	3,770
Amortisation of deferred income	**(1,181)**	(1,181)
Foreign exchange (gain) loss, net	**(158)**	126
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
Rental income	**(1,212)**	(1,080)
Write-down (Reversal of write-down) of inventories, net	**27**	(420)
Reversal of impairment of trade receivables, net	**(25)**	(611)
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	**230**	(1,538)

Remarks:

(a) During the Period, 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 write-down of inventories (six months ended 30 June 2021: 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 2021.

During the Period and the six months ended 30 June 2021, 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. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss (six months ended 30 June 2021: basic earnings) per share for the Period is based on the loss attributable to owners of the Company for the Period of approximately HK$117,503,000 (six months ended 30 June 2021: profit attributable to owners of the Company of approximately HK$7,230,000) and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 shares (six months ended 30 June 2021: 1,527,586,000 shares).

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as there was no potential dilutive ordinary shares outstanding during the Period and the six months ended 30 June 2021.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Period (six months ended 30 June 2021: Nil).

10. TRADE RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**130,917**	180,915
Loss allowance	**(78,356)**	(81,248)
	52,561	99,667

The Group normally grants credit terms of 30 to 90 days (31 December 2021: 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 10.6% (31 December 2021: 23.8%) and 34.6% (31 December 2021: 68.4%) of the total trade receivables 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 2022 (Unaudited)	31 December 2021 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**21,747**	67,894
1 to 2 months	**9,212**	19,357
2 to 3 months	**5,988**	11,147
Over 3 months	**15,614**	1,269
	52,561	99,667

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Prepayments	**4,700**	4,455
Frozen deposits by banks for settlement of loans	**—**	28,805
Deposits and other debtors	**2,031**	944
The PRC value-added tax and other tax receivables	**13,508**	14,546
	20,239	48,750

12. TRADE PAYABLES

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Trade payables	**75,193**	113,804

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2021: 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 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Within 1 month	**14,275**	46,467
1 to 2 months	**—**	3,564
2 to 3 months	**—**	839
Over 3 months	**60,918**	62,934
	75,193	113,804

13. SHARE CAPITAL

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Authorised:		
100,000,000,000 (31 December 2021: 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 2021: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

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.

Following a strong rebound in 2021, during the Period, the global economy showed signs of slowdown amid the continued impact of the COVID-19 pandemic, inflationary pressure and supply chain disruption. Although many countries were determined to resume normal business activities and ease travel restrictions to bring the economy back on track, the COVID-19 pandemic has caused structural changes in the global economy and the labour market. In addition, the outbreak of the war in Ukraine in February 2022 has disrupted food and energy supplies and led to global inflation. Skyrocketing energy and raw material costs and supply chain bottlenecks have put immense pressure on manufacturing and retail sectors. All these concerns have added uncertainty to the global economy during the Period. According to the World Bank, global economic growth is expected to lower from 5.5% in 2021 to 4.1% in 2022 and further decrease to 3.2% in 2023. In the PRC, the sudden spike in COVID-19 infection cases in major cities including Shanghai in the first quarter of 2022 caused by the highly contagious Omicron variant has led to strict lockdowns in these cities in which most of the economic activities were suspended. As a result, China's economy grew by only 2.5% during the first half of 2022 – falling behind its annual growth target of 5.5% for 2022. The operating environment of the Group remained challenging throughout the Period.

Global corn production for the year 2022/23 is estimated at 1,185.9 million metric tonnes ("**MT**") (2021/22: 1,218.8 million MT), according to the estimates from the United States Department of Agriculture in August 2022. With respect to corn price, international corn price once reached 818 US cents per bushel (equivalent to RMB2,129 per MT) in April 2022, driven by the shortage in grain supply and the increase in shipping cost intensified by the war in Ukraine. International corn price as at 30 June 2022 was 744 US cents per bushel (equivalent to RMB1,962 per MT) (30 June 2021: 720 US cents per bushel (equivalent to RMB1,831 per MT)). In the PRC, domestic corn harvest in 2022/23 is estimated to produce approximately 272.6 million MT (2021/22: approximately 272.6 million MT) of corn, with consumption volume estimated at 290.5 million MT (2021: 287.7 million MT) for 2022. It is expected that China will continue to import corn to make up for the shortfall in corn supply in 2022. During the Period, China has imported approximately 13.6 million MT of corn. It is estimated that China's corn import will reach 18.0 million MT throughout 2022. All these factors have contributed to the surge in domestic corn price during the Period. As a result, corn price in the PRC rose to RMB2,827 per MT (30 June 2021: RMB2,790 per MT) as at 30 June 2022. Although the profit margin of the upstream corn refinery has improved, the overall capacity utilisation of the corn refinery industry in China was about 60% during the Period due to decreased demand as a result of the lockdown measures implemented. In addition, resumption of the Group's upstream operation requires huge working capital. It is not commercially viable for the Group to resume its upstream operation. As a result, the Group has continued to suspend its upstream operation during the Period.

As for the sugar market, global sugar production for 2021/22 was 174.0 million MT (2020/21: 179.0 million MT) with consumption estimated at 173.8 million MT (2020/21: 175.9 million MT). Although global supply and demand were in balance, the international sugar price continued to increase during the Period as driven by the uncertainty around the war in Ukraine and the inflation of commodity prices. As such, international sugar price increased to 18.70 US cents per pound (equivalent to RMB2,769 per MT) (end of June 2021: 17.63 US cents per pound (equivalent to RMB2,517 per MT)) by the end of June 2022. Subject to energy price fluctuation and the development of the war in Ukraine, outlook for international sugar price is currently expected to turn bearish in 2022/23 with increased production volume estimated at 177.4 million MT while consumption is projected at 174.6 million MT. In the PRC, domestic sugar production was about 9.7 million MT (2020/21: 10.7 million MT) in the 2021/22 harvest, while consumption stayed at around 15.5 million MT. Domestic sugar price increased to RMB5,778 per MT (end of June 2021: RMB5,690 per MT) by the end of June 2022 as the COVID-19 pandemic has limited the imports of sugar during the first half of 2022. Nevertheless, as disclosed in the joint announcement of the Company and GBT dated 14 April 2022 and the annual report of the Company for the year ended 31 December 2021 (the "**2021 Annual Report**"), due to the lockdown measures implemented in Shanghai in response to the outbreak of COVID-19, the mobility of manpower across different industries was limited and caused disruptions to the logistics network. As a result, the Group has suspended the operation of the Group's production facilities in Shanghai since April 2022. Such suspension has substantially lowered the output of the Group and negatively impacted the financial performance of the Group during the Period.

The operating environment of the Group in the second half of 2022 is expected to remain challenging as corn price in the PRC is expected to stay high in 2022 while sugar price will turn bearish in anticipation of the increase in global output in 2022/23 harvest. In addition, the growing awareness of the general public towards healthier eating habits will put further pressure on the traditional sugar/sweetener product market. On the other hand, the COVID-19 pandemic and the geopolitical complexity will continue to add uncertainty to global economy. In the short run, the Group will continue to monitor closely relevant COVID-19 pandemic precautionary measures imposed by the PRC government, the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies to optimise the operation of the Group's production facilities to secure relatively healthy cash flow while balancing its market presence. 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, and at the same time, optimise utilisation rate to achieve operational efficiency in response to market changes. With respect to the Group's financial position, the Group will continue to facilitate the implementation of the Group's debt restructuring plan and seek opportunities with other potential investors that will bring both financial and business synergies to the Group.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2021 was subject to the disclaimer of opinion by the external auditor (the "**Auditor**") of the Company as detailed in the 2021 Annual Report. The management of the Company wishes to provide the latest update on the relevant remedial measures 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:

Material uncertainty relating to going concern

As detailed in the 2021 Annual Report, the Auditor has raised material uncertainty relating to the ability of the Group to continue as going concern. In addition to the actions disclosed in the 2021 Annual Report, the management of the Company has taken and will take steps as outlined in note 2.2 to the condensed consolidated financial statement on page 7 to page 10 of this announcement to improve the financial position of the Group. Dependent on the successful and favourable outcomes of such steps, 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 2022.

FINANCIAL PERFORMANCE

During the Period, the Group has continued to suspend the operation of the production facilities as detailed in the Company's announcements dated 24 September 2019, 10 February 2020 and 29 May 2020 (collectively, the "**Suspension of Operation Announcements**") to minimise financial risks and secure financial resources during the time of economic uncertainty. In addition, as disclosed in the joint announcement of the Company and GBT dated 14 April 2022, the Group temporarily suspended its production facilities in Shanghai as a result of the lockdown measures implemented in Shanghai during the first half of 2022. Consequently, the sales volume and the consolidated revenue of the Group had significantly dropped by approximately 60.0% and 56.5% respectively to approximately 36,000 MT (2021: 90,000 MT) and HK$155.0 million (2021: HK$356.4 million) respectively during the Period. Due to the improvement in corn sweetener prices as driven by rising sugar price during the Period, the average selling price of the Group's sweetener products had increased during the Period. Such increase was sufficient to offset the increase in raw material costs. As a result, the consolidated gross profit of the Group for the Period dropped only by approximately 17.6% to approximately HK$11.2 million (2021: HK$13.6 million) while the gross profit margin of the Group increased by 3.4 percentage points to 7.2% (2021: 3.8%).

On the other hand, other income of the Group decreased significantly during the Period by HK$133.6 million to approximately HK$3.5 million (2021: HK$137.1 million), with the absence of the recognition of items such as the one-off gain on debt restructuring of approximately HK$128.3 million recorded in the corresponding period last year subsequent to the completion of the repurchase agreements dated 26 March 2021 (the "**GSH Repurchase Agreements**") entered into between a subsidiary of the Company and Changchun Rudder which took place on 31 March 2021. Consequently, the Group recorded a net loss of approximately HK$117.5 million (2021: net profit: HK$7.2 million), with LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$46.2 million (2021: EBITDA (i.e. earnings before interest, taxation, depreciation and amortisation): HK$83.2 million) for the Period.

To improve the performance and the financial position of the Group, the management of the Group will continue to focus its efforts in (1) speeding up the process of resumption of the Relevant Properties owned by the Group in order to reduce the financial burden of the Group; (2) actively negotiating with banks/creditors to push forward the debt restructuring plan to lower the debt level of the Group; (3) closely monitoring market changes to identify opportunities for full/partial resumption of production operations of the Group's suspended facilities to improve the operating cash flow of the Group; and (4) introducing potential investors to further strengthen the working capital and financial position of the Group.

Upstream products

(Sales amount: Nil (2021: HK$0.8 million))
(Gross profit: Nil (2021: HK$0.1 million))

During the Period, no sale of upstream products was recorded as the Group suspended all its upstream operations to minimise financial risks and secure financial resources during the time of economic uncertainty while most of the inventory had been sold in 2021. As a result, no revenue from the sale of corn starch and other corn refined products (2021: Nil and HK$0.8 million) was recorded during the Period. No internal consumption of corn starch was recorded during the Period (2021: Nil).

Corn Sweeteners

Corn syrup

(Sales amount: HK$134.6 million (2021: HK$297.4 million))
(Gross profit: HK$8.1 million (2021: HK$13.4 million))

As a result of the temporary suspension of operation of the Group's production facilities in Shanghai since April 2022 together with the continued suspension of the Group's sweeteners production facilities in the Jinzhou and Xinglongshan sites with most of their inventories exhausted prior to the Period, the revenue of the corn syrup segment decreased by approximately 54.7% to approximately HK$134.6 million (2021: HK$297.4 million). Such decrease was mainly attributable to the decrease in sales volume by approximately 56.9% to approximately 31,000 MT (2021: 72,000 MT). As the portion of expenses in relation to suspension of operation during the Period has been allocated to other expenses and the increase in the selling price of corn syrup was sufficient to offset the increase in the raw material cost during the Period, the corn syrup segment recorded gross profit of approximately HK$8.1 million (2021: HK$13.4 million) for the Period, with gross profit margin increased to 6.0% (2021: 4.5%).

Corn syrup solid

(Sales amount: HK$20.4 million (2021: HK$58.2 million))
(Gross profit: HK$3.1 million (2021: HK$0.1 million))

During the Period, the sales volume of corn syrup solid, which was entirely maltodextrin, declined by approximately 70.6% to approximately 5,000 MT (2021: 17,000 MT) as a result of the temporary suspension of operation of the Group's production facilities in Shanghai since April 2022 and the continued suspension of the Group's sweeteners production facilities in the Jinzhou and Xinglongshan sites with most of their inventories exhausted prior to the Period. The revenue of maltodextrin decreased by approximately 64.9% to approximately HK$20.4 million (2021: HK$58.2 million). As the portion of expenses in relation to suspension of operation during the Period has been allocated to other expenses and the increase in selling price of corn syrup solid outweighed the rising raw material cost, the gross profit and gross profit margin of the corn syrup solid segment increased to approximately HK$3.1 million (2021: HK$0.1 million) and 15.2% (2021: 0.2%), respectively.

Export sales

During the Period, export sales accounted for approximately 3.2% (2021: 2.1%) of the Group's total revenue. The Group exported approximately 1,000 MT (2021: 2,000 MT) of corn sweeteners which amounted to sales of approximately HK$5.0 million (2021: HK$7.3 million) during the Period. No export sales of upstream corn refined products were recorded during the Period and the corresponding period last year.

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 97.4% to approximately HK$3.5 million (2021: HK$137.1 million) as a result of the absence of the recognition of items such as the one-off gain on debt restructuring of approximately HK$128.3 million subsequent to the completion of the GSH Repurchase Agreements in 2021.

Selling and distribution costs

During the Period, selling and distribution costs dropped by approximately 39.3% to approximately HK$16.2 million (2021: HK$26.7 million), accounting for approximately 10.5% (2021: 7.5%) 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 slightly decreased by approximately 1.8% to approximately HK$43.7 million (2021: HK$44.5 million), representing approximately 28.2% (2021: 12.5%) of the Group's total revenue. Such decrease was a result of the effective cost control policy of the Group during the Period.

Other expenses

Other expenses of the Group increased to approximately HK$35.5 million (2021: HK$30.7 million) during the Period. Such increase was mainly attributable to the increase in expenses in relation to the idle capacity of certain production facilities to approximately HK$33.9 million (2021: HK$24.3 million) as a result of the temporary suspension of operation of the Group's production facilities in Shanghai since April 2022.

Finance costs

During the Period, finance costs of the Group decreased to approximately HK$36.8 million (2021: HK$41.6 million). Such decrease was mainly attributable to in the absence of interest on trade payables (2021: HK$9.5 million) as a result of the settlement of long outstanding interest bearing trade payables by the Group during the Period.

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 (2021: Nil).

(Loss) Profit attributable to shareholders

As a result of the decrease in other income and gains by approximately 97.4% to approximately HK$3.5 million (2021: HK$137.1 million), the Group recorded a net loss of approximately HK$117.5 million (2021: net profit: HK$7.2 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 Board shall review 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 2022 decreased by approximately HK$57.4 million to approximately HK$870.1 million (31 December 2021: HK$927.5 million) as a result of net repayment of certain bank and other borrowings of approximately HK$24.7 million and exchange rate adjustment of approximately HK$32.7 million during the Period, while cash and bank balances as at 30 June 2022 decreased by HK$2.3 million to approximately HK$5.5 million (31 December 2021: HK$7.8 million), which were mainly denominated in Renminbi and US dollars with a small amount denominated in Hong Kong dollars (31 December 2021: mainly denominated in Renminbi and Hong Kong dollars with a small amount denominated in US dollars). As such, the net borrowings decreased to approximately HK$864.6 million (31 December 2021: HK$919.7 million).

Structure of interest-bearing bank and other borrowings

As at 30 June 2022, the Group's interest-bearing bank and other borrowings amounted to approximately HK$870.1 million (31 December 2021: HK$927.5 million), all (31 December 2021: all) of which were denominated in Renminbi. All (31 December 2021: All) of the Group's interest-bearing bank and other borrowings were wholly repayable within one year.

As at 30 June 2022, interest-bearing bank and other borrowings amounted to approximately HK$261.8 million (31 December 2021: HK$271.3 million) have been charged at fixed interest rates of approximately 5.8% to 8.0% per annum (31 December 2021: 5.8% 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 61 days (31 December 2021: 50 days) as longer credit periods were granted to a number of customers with good track records.

During the Period, trade payables turnover days increased to approximately 95 days (31 December 2021: 61 days) as the Group has negotiated with its suppliers to extend the credit terms during the Period.

As the lockdown measures in Shanghai have been lifted in stages starting from the end of May 2022, the Group has gradually resumed the operation of part of its production facilities in Shanghai since June 2022. As a result, the inventory turnover days increased to 70 days (31 December 2021: 35 days).

As at 30 June 2022, the current ratio and quick ratio were approximately 0.1 (31 December 2021: 0.2) and 0.1 (31 December 2021: 0.1) respectively. The decrease in current ratio was mainly due to the decrease of current assets. Gearing ratio in terms of total debts (i.e. total interest-bearing bank and other borrowings) to total assets (i.e. non-current assets and current assets) was approximately 112.2% (31 December 2021: 99.2%). 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 on page 7 to page 10 of this announcement.

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, which were mostly denominated in US Dollars, accounted for approximately 3.2% (2021: 2.1%) of the Group's revenue during the Period. 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 4 May 2020. Under the various loan agreements (collectively, the "**Yuancheng 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**"), 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*) ("**Jinzhou CCB**") and 中國銀行股份有限公司錦州港支行 (Jinzhou Port Branch of Bank of China*) ("**Jinzhou BOC**") for the aggregate principal amount of RMB219.9 million (the "**Yuancheng Loans**"), comprising of (i) the loan owed to Jinzhou CCB for the principal amount of RMB189.9 million ("**Yuancheng CCB Loans**"); and (ii) the loan owed to Jinzhou BOC for the principal amount of RMB30.0 million ("**Yuancheng BOC Loan**"), Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle the Jinzhou CCB and Jinzhou BOC to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loans immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the Group.

Jinzhou Yuancheng has defaulted in the repayment of Yuancheng BOC Loan as detailed in the joint announcement made by the Company and GBT dated 27 April 2021. 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 Yuancheng BOC Loan.

Reference is made to the joint announcements of the Company and GBT dated 24 September 2021 and 14 January 2022 in relation to, among others, the receipt of the summons from 遼寧省瀋陽市中級人民法院 (Intermediate People' Court of Shenyang City, Liaoning Province*) (the "**Shenyang Intermediate Court**") by the Group to attend the court hearing in respect of the application filed by Jinzhou BOC for the repayment of the outstanding principal amount and accrued interest under the fixed-term loans owed to Jinzhou BOC by two subsidiaries of the Group, namely, 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.*) ("**Jinzhou Dacheng**") and Jinzhou Yuancheng. The Shenyang Intermediate Court has granted orders in favour of Jinzhou BOC for the preservation of the bank balance (or assets of equivalent value) of the Group equivalent to the principal and interest outstanding under the fixed-term loans owed to Jinzhou BOC by Jinzhou Dacheng and Jinzhou Yuancheng in the aggregate amount of RMB55,518,460.06 (which included the Yuancheng BOC Loan). Jinzhou Dacheng has settled all its outstanding principal amount and accrued interest owed to Jinzhou BOC in one payment by way of bank transfer on 25 January 2022. In respect of the Yuancheng BOC Loan, the Shenyang Intermediate Court has confirmed and acknowledged the settlement agreements reached between the respective parties and Jinzhou Yuancheng shall repay Jinzhou BOC the outstanding principal amount and accrued interest under the Yuancheng BOC Loan in seven instalments pursuant to a mutually agreed schedule, with the last instalment due on 30 September 2023. As at the date of this announcement, the outstanding principal amount of the Yuancheng BOC Loan is approximately RMB28.8 million.

With respect to the Yuancheng CCB Loans, as detailed in the joint announcements of the Company and GBT dated 4 January 2022 and 22 February 2022, Jinzhou CCB has applied to the Shenyang Intermediate Court, and the Shenyang Intermediate Court has granted, various orders in favour of Jinzhou CCB for preservation of the bank balance (or assets of equivalent value) of certain members of the Group and the GBT Group in the aggregate amount of RMB213,882,634.55 in respect of the Yuancheng CCB Loans. As at the date of this announcement, the outstanding principal amount of the Yuancheng CCB Loans is approximately RMB189.9 million.

(2) 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 Nongan Branch ABC with 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 provided collaterals to secure such loan. As at the date of this announcement, the outstanding principal amount under such loan agreement is RMB180.0 million. In addition, the default in repayment of such loan by the Group may also trigger cross default of other loan agreements entered into by the Group.

As further disclosed in the joint announcement of the Company and GBT dated 23 December 2020, pursuant to 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.

(3) Reference is made to the joint announcement of the Company and GBT dated 5 August 2022. 上海好成食品發展有限公司 (Shanghai Haocheng Food Development Co., Ltd.*) ("**Shanghai Haocheng**"), which is an indirect wholly-owned subsidiary of the Company, has defaulted in the repayment of the fixed-term loan under a loan agreement (the "**Minhang Shangyin Loan Agreement**") entered into between Shanghai Haocheng and 上海閔行上銀村鎮銀行股份有限公司 (Shanghai Minhang Shangyin Bank Co., Ltd*) ("**Minhang Shangyin Bank**") with outstanding principal amount of RMB10.0 million (the "**Minhang Shangyin Loan**"). Shanghai Haocheng has provided collaterals to secure the Minhang Shangyin Loan. As at the date of this announcement, the outstanding principal amount under the Minhang Shangyin Loan Agreement is RMB8.0 million and Shanghai Haocheng has yet to receive any waiver in written form from Minhang Shangyin Bank in respect of the default of repayment of the Minhang Shangyin Loan.

On the other hand, as further detailed in the joint announcement of the Company and GBT dated 5 August 2022. Dihao Foodstuff has defaulted in the repayment of the fixed-term loan under a loan agreement (the "**Jiyin Rural Loan Agreement**") entered into between Dihao Foodstuff and 長春雙陽吉銀村鎮銀行股份有限公司 (Changchun Shuangyang Jiyin Rural Bank Co., Ltd.*) ("**Jiyin Rural Bank**") with outstanding principal amount of RMB4.9 million (the "**Jiyin Rural Loan**"). Such loan is guaranteed by Shanghai Haocheng. As at the date of this announcement, the outstanding principal amount under the Jiyin Rural Loan Agreement is RMB4.9 million and Dihao Foodstuff has yet to receive any waiver in written form from Jiyin Rural Bank in respect of the default of repayment of the Jiyin Rural Loan.

Shanghai Haocheng and Dihao Foodstuff have respectively applied to Minhang Shangyin Bank and Jiyin Rural Bank for extension of repayment of the above loans. Jinyin Rural Bank has verbally agreed to extend the due date of the Jinyin Rural Loan to 31 December 2022 according to the notice titled《關於進一步推動金融服務製造業高質量發展的通知》(銀保監辦發[2022]70號) (Further Promoting High-Quality Development of Financial Services Manufacturing Industry* (No. 70 [2022] of the General Office of the China Banking Regulatory Commission)) (the "**Notice**") issued by the General Office of the China Banking and Insurance Regulatory Commission on 4 July 2022. The Notice was issued to banking institutions setting out that they should actively support small, medium-sized and micro enterprises with good credit in the manufacturing industry that are temporarily affected by the epidemic by extending the repayment schedule of loans to 31 December 2022. Meanwhile, Minhang Shangyin Bank has verbally agreed to extend the due date of the Minhang Shangyin Loan to 11 August 2022. As at the date of this announcement, Shanghai Haocheng has reached consensus with Minhang Shangyin Bank to repay the outstanding principal amount of the Minhang Shangyin Loan, together with the accrued interest, in five instalments pursuant to a mutually agreed repayment schedule, with the last instalment due on 11 December 2022. As at the date of this announcement, Shanghai Haocheng has made the first instalment payment to Minhang Shangyin Bank.

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 on the Group's business

As at the date of this announcement, the suspensions of operation as disclosed in the Suspension of Operation Announcements remained. The management of the Group expects that the zero-COVID policy imposed by the PRC government will remain in the foreseeable future which will add uncertainty to the operating environment of the Group in case of any future outbreak of COVID-19 in the PRC. Moreover, the resumption of the Group's upstream operation requires huge working capital. As such, it is expected that the plan for the resumption of operation of the Group's production facilities in northeast China will be delayed.

Reference is made to the joint announcement of the Company and GBT dated 14 April 2022 in relation to the temporary suspension of production operation of the Group's production facilities in Shanghai as a result of the lockdown measures implemented in Shanghai in response to the outbreak of COVID-19. The lockdown measures have limited the mobility of manpower across different industries and caused disruptions to the logistics network and necessitated the temporary suspension of production operation of the Group's production facilities in Shanghai. As further announced by the Company on 30 June 2022, as the COVID-19 pandemic situation in Shanghai had been brought under control with the lockdown measures lifted in stages starting from the end of May 2022, the Group has gradually resumed the operation of part of the Group's production facilities in Shanghai since June 2022.

Entering into the second half of 2022, the COVID-19 pandemic will continue to affect the global economy. The PRC is expected to face continuous challenges from shrinking demand, supply shock, inflationary pressure and global recession. In addition, the ongoing structural changes in its economy for more sustainable growth in the future is expected to add temporary pressure to many businesses. With respect to the Group's business, corn price is expected to remain high in 2022. Coupled with the increasingly competitive operating environment of the sweetener market, the second half of 2022 is expected to remain challenging for the Company. The management of the Group will continue to assess the impact of the COVID-19 pandemic on the financial positions of the Group and closely monitor the market conditions and the financial conditions of the Group, 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 2021 Annual Report, in relation to, among others, the suspension and relocation of production facilities of the Group in Luyuan District, Changchun, the PRC pending its relocation of production facilities to the Xinglongshan site and the resumption of the Relevant Properties.

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 put on hold in light of the continuously changing market conditions and pending the availability of capital and favourable market conditions. The Group will continue to assess the rapid changing market conditions and the progress of the resumption of the Relevant Properties so as to update and revise the feasibility studies of the relocation projects for submission to, among others, the relevant government bodies for approval. The Group will make further announcement(s) to provide shareholders and potential investors of the Company with the latest updates of the progress of relocation of production facilities to the Xinglongshan site as and when appropriate.

FUNDRAISING ACTIVITIES

Subscription of new shares of the Company under the general mandate

As disclosed in the announcement of the Company dated 24 July 2022, the Group was in imminent need of cash. Therefore, in order to raise fund for general working capital purposes and to relieve part of the financial pressure from bank borrowings the Company entered into the Subscription Agreement with Hartington Profits on 24 July 2022. The gross proceeds from the Subscription will amount to approximately HK$30,551,720 with nominal value amounting to HK$30,551,720. The net proceeds from the Subscription, after the deduction of relevant expenses, is estimated to be approximately HK$30,000,000 and the net price of each Subscription Share is estimated to be approximately HK$0.098. The closing price of each of the shares of the Company on 22 July 2022, being the last trading date prior to the date of the Subscription Agreement was HK$0.078. The Subscription Shares represent 20.0% of the total issued share capital of the Company immediately before the completion of the Subscription and approximately 16.7% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Company intends to use the net proceeds from the Subscription as follows: approximately (i) HK$10.0 million for repayment of bank and other borrowings/payables of the Group's PRC subsidiaries and (ii) HK$20.0 million for the procurement of corn and other operational expenses. For further details of the Subscription and the intended use of the net proceeds, please refer to the announcement of the Company dated 24 July 2022.

The Company is facilitating the fulfillment of the conditions precedents under the Subscription Agreement and the Subscription is yet to take place as at the date of this announcement. Further announcement will be made by the Company when the Subscription proceeds to completion.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

Subscription of new shares of the Company under the general mandate

As disclosed in page 33 of this announcement under the section headed "Fundraising Activities" and as announced by the Company on 24 July 2022, the Company entered into the Subscription Agreement with Hartington Profits on 24 July 2022, please refer to page 33 of this announcement and the announcement of the Company dated 24 July 2022 for further details.

Save for the aforementioned Subscription, there was no other 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 of the Group in the second half of 2022 is expected to remain challenging as corn price in the PRC is expected to stay high in 2022 while sugar price will turn bearish in anticipation of increased in global output in 2022/23 harvest. In addition, the growing awareness of the general public towards healthier eating habits will put further pressure on the traditional sugar/sweetener product market. On the other hand, the COVID-19 pandemic and the geopolitical complexity will continue to add uncertainty to the global economy.

In the short run, the Group will continue to monitor closely the development of the COVID-19 pandemic, the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies to optimise the operation of the Group's production facilities to secure relatively healthy cash flow while balancing its market presence.

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.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2022, the Group had approximately 920 (31 December 2021: 930) 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 competitive 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. During the Period, employee benefit expenses (excluding Director's remuneration) was approximately HK$41.1 million (2021: approximately HK$49.1 million).

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend in respect of the Period (six months ended 30 June 2021: 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 Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules on the Stock Exchange that was in force 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 Seurities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the Company's code of conduct for dealings in securities of the Company by the Directors. 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 control systems. The Audit Committee comprises all three 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 reviewed the interim results of the Group for the Period and this announcement and has discussed with the management of the Company for the accounting principles and policies adopted by the Group, with no disagreement.

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, 30 August 2022

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.