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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 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2023	2022	Change %
	(Unaudited)	(Unaudited)	
Revenue (HK$'Mn)	**193.7**	155.0	25.0
Gross profit (HK$'Mn)	**20.0**	11.2	78.6
Loss before tax (HK$'Mn)	**(103.4)**	(117.5)	N/A
Loss for the period (HK$'Mn)	**(83.9)**	(117.5)	N/A
Basic loss per share (HK cents)	**(5.5)**	(7.7)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Directors**") of Global Sweeteners Holdings Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023 (the "**Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**193,661**	154,972
Cost of sales		**(173,681)**	(143,781)
Gross profit		**19,980**	11,191
Other income and gains	*4*	**4,522**	3,478
Selling and distribution costs		**(16,135)**	(16,203)
Administrative expenses		**(46,928)**	(43,734)
Other expenses		**(30,025)**	(35,456)
Finance costs	*5*	**(34,819)**	(36,779)
LOSS BEFORE TAX	*6*	**(103,405)**	(117,503)
Income tax credit	*7*	**19,466**	—
LOSS FOR THE PERIOD		**(83,939)**	(117,503)
OTHER COMPREHENSIVE 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		**36,773**	17,124
Items that will not be reclassified subsequently to profit or loss:			
Gain on properties valuation	*10*	**31,178**	—
Income tax effect		**(7,795)**	—
		23,383	—
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**60,156**	17,124
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(23,783)**	(100,379)

	Notes	Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(83,939)**	(117,503)
Non-controlling interests		**—**	—
		(83,939)	(117,503)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the Company		**(24,115)**	(100,612)
Non-controlling interests		**332**	233
		(23,783)	(100,379)
LOSS PER SHARE	*8*		
Basic		**HK(5.5) cents**	HK(7.7) cents
Diluted		**HK(5.5) cents**	HK(7.7) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**482,896**	507,865
Right-of-use assets		**49,170**	55,293
Intangible assets		**1,704**	1,704
		533,770	564,862
CURRENT ASSETS			
Inventories		**44,640**	42,434
Trade receivables	*11*	**36,286**	48,960
Prepayments, deposits and other receivables	*12*	**33,129**	26,576
Cash and bank balances		**7,909**	4,275
		121,964	122,245
CURRENT LIABILITIES			
Trade payables	*13*	**69,527**	85,882
Other payables and accruals		**430,989**	389,309
Lease liabilities		**692**	951
Interest-bearing bank and other borrowings		**747,030**	795,353
Due to fellow subsidiaries		**64,140**	34,113
Tax payables		**22,177**	23,421
		1,334,555	1,329,029
NET CURRENT LIABILITIES		**(1,212,591)**	(1,206,784)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(678,821)**	(641,922)

	Notes	30 June 2023 (Unaudited) HK$'000	31 December 2022 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities		**—**	172
Deferred income		**19,301**	21,511
Deferred tax liabilities		**6,628**	17,362
		25,929	39,045
NET LIABILITIES		**(704,750)**	(680,967)
CAPITAL AND RESERVES			
Share capital	*14*	**152,759**	152,759
Reserves		**(851,910)**	(827,795)
Deficit attributable to owners of the Company		**(699,151)**	(675,036)
Non-controlling interests		**(5,599)**	(5,931)
TOTAL DEFICIT		**(704,750)**	(680,967)

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, 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 ("**Global Corn Bio-Chem**"), 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, excluding the Group, 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 2022.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$83.9 million (six months ended 30 June 2022: loss of approximately HK$117.5 million) for the Period and had net current liabilities of approximately HK$1,212.6 million (31 December 2022: approximately HK$1,206.8 million) and net liabilities of approximately HK$704.8 million (31 December 2022: approximately HK$681.0 million) as at 30 June 2023. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee of the Company (the "**Audit Committee**") after its critical review of the management's position, the management of the Company has taken the following steps to improve the financial position of the Group:

(1) Implementation of the GSH Restructuring to improve the Group's operating cash flow

Reference is made to the joint announcement (the "**Joint Announcement**") of the Company, GBT and Mr. Kong Zhanpeng and Mr. Wang Tieguang (collectively, the "**Joint Offerors**") dated 6 April 2023 in relation to, among others, the restructuring plan of the Group (the "**GSH Restructuring**"), which include (1) the respective sale and purchase agreements dated 6 April 2023 (the "**Dihao SPAs**") entered into between the Group and the GBT Group to transfer the Group's entire equity interests in 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**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.*) ("**Dihao Crystal Sugar**") to the GBT Group (the "**Dihao Transfer**"); (2) the sale and purchase agreement dated 6 April 2023 (the "**GSH SPA**") entered into between a wholly-owned subsidiary of GBT, Global Corn Bio-Chem as seller and the Joint Offerors as purchasers for the sale of approximately 47.0% of the issued share capital of the Company to the Joint Offerors (the "**GSH Disposal**"); and (3) the subscription agreement dated 6 April 2023 entered into between the Company and the Joint Offerors for the subscription of the convertible bonds (the "**CB Subscription Agreement**") in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK$138.0 million) (the "**Convertible Bonds**") at the initial conversion price of HK$0.1 per conversion share (the "**CB Subscription**").

Following the change in control of the Group as a result of the GSH Disposal, the new controlling shareholders of the Company are expected to provide financing and/or assistance to the Group to address its funding needs and allow the Group to enhance its working capital position for the resumption of operations of its Jinzhou production site so as to improve the Group's operating cash flow. The Directors expect that the GSH Restructuring will help relieve the financial and cash flow pressure of the Group in long run.

(2) ***Streamlining corporate structure to facilitate the smooth negotiation and implementation of the debt restructuring plan***

As disclosed in the joint announcement of the Company and GBT dated 23 December 2020 and the announcement of the Company dated 24 July 2023, 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**") (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 entered into a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) ("**Jilin Cinda**") to transfer all rights (including security rights) and benefits of the loans owed by 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**"), an independent third party of the Group and the GBT Group, with an aggregate outstanding principal amount of approximately RMB1,400.0 million (the "**ABC Aggregate Principal**") and aggregate outstanding interest (the "**ABC Transferred Loans**") to Jilin Cinda at a consideration of approximately RMB414.7 million. Among the ABC Aggregate Principal, approximately RMB180.0 million was owed by Dihao Foodstuff, approximately RMB920.0 million was owed by the GBT Group, and the rest of the ABC Aggregate Principal of approximately RMB300.0 million was owed by Dajincang. The Group and the GBT Group are not responsible for the financing of the repayment obligations of the debts owed by Dajincang.

On the other hand, the repurchased loans (the "**Repurchased Loans**"), being a portion of loans owed by Dihao Foodstuff that was first transferred by the then creditors to Jilin Cinda, and then further transferred to 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.*) ("**Changchun Rudder**"), were finally repurchased by the Group from Changchun Rudder on 31 March 2021 at a consideration of RMB113.5 million. As at the date of this announcement, such consideration for the purchase of the Repurchased Loans remains outstanding.

As further announced by the Company on 24 July 2023, the Group and the GBT Group have been exploring various possibilities to raise funds to facilitate and implement the next stage of the debt restructuring plan in relation to, among others, the ABC Transferred Loans with the support of 吉林省人民政府辦公廳 (The General Office of the People's Government of Jilin Province*) ("**Jilin General Office**") and 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province*) ("**Jilin SASAC**"). Certain potential investors (the "**Potential Investors**") have expressed their interests and organised investment fund(s) targeting to set up a fund of approximately RMB1.5 billion to RMB1.6 billion for the Group and the GBT Group to repurchase, among others, the ABC Transferred Loans. Negotiations to date are still at the early stage and no written agreement regarding the same has been entered into between the Group, the GBT Group and the Potential Investors. The shareholders of the Company (the "**Shareholders**") should note that such investment may or may not proceed.

In relation to the Repurchased Loans, as previously disclosed in the Joint Announcement, the Group intends to settle the outstanding consideration for the purchase of the Repurchased Loans with the proceeds from the resumption of the remaining part of the land and buildings owned by the Group which are located in Luyuan District, Changchun, the People's Republic of China (the "**PRC**" or "**China**") (the "**Relevant Properties**"). As the Relevant Properties have been pledged as security for the Repurchased Loans, even if the land resumption does not take place in time or at all, the pledgee-lenders may apply for the pledged properties to be sold by way of auction and receive proceeds of sale settling the Repurchased Loans.

Meanwhile, as further disclosed in the Joint Announcement and the circular of the Company dated 31 May 2023, upon the completion of the Dihao Transfer (the "**Dihao Completion**"), Dihao Foodstuff will cease to be a subsidiary of the Company and become part of the GBT Group, as such, both the ABC Transferred Loans and the Repurchased Loans will then be owed by the GBT Group after the Dihao Completion and the Group will be released from its repayment obligations even if the debt restructuring plan and resumption of the Relevant Properties are yet to be completed by then.

Other than the ABC Transferred Loans and the Repurchased Loans owed by the Group and their respective intended settlement as disclosed above, as at 30 June 2023, the total outstanding principal amount of the loans or borrowings of the Group amounted to approximately RMB401.2 million, among which (i) approximately RMB212.5 million is intended to be settled by the renewal of loan facilities for the Group's daily operation and to be later settled via future operating cash flow; and (ii) in relation to the loan amount of aggregate principal amount of RMB188.7 million and outstanding interest accrued thereon (the "**Jinzhou CCB Loans**") due to 中國建設銀行股份有限公司錦州分行 (Jinzhou Branch of China Construction Bank*) ("**Jinzhou CCB**"), based on the latest negotiation between the Group and Jinzhou CCB, the parties are exploring a possible debt restructuring arrangement with a substantial discount. It is the current intention of the Company to settle a portion of the Jinzhou CCB Loans by the proceeds from the issue of the Convertible Bonds and the remaining portion to be settled by future operating cash flow.

(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. During the Period, the Group has suspended the operation of most of its production facilities and consolidated its resources in the Shanghai production site.

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 source 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 2023. 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 2022, 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 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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 2022: two) reportable operating segments during the Period 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	
	2023	2022	**2023**	2022	**2023**	2022
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**—**	—	**193,661**	154,972	**193,661**	154,972
Segment results	**(32,505)**	(27,583)	**(29,748)**	(50,058)	**(62,253)**	(77,641)
Reconciliation:						
Unallocated bank interest and other corporate income					**17**	9
Corporate and other unallocated expenses					**(6,350)**	(3,092)
Finance costs					**(34,819)**	(36,779)
Loss before tax					**(103,405)**	(117,503)
Income tax credit					**19,466**	—
Loss for the Period					**(83,939)**	(117,503)

(b) Geographical information

Six months ended 30 June

	The PRC		Asian regions and others		Total	
	2023	2022	**2023**	2022	**2023**	2022
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**186,086**	149,997	**7,575**	4,975	**193,661**	154,972

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	**193,661**	154,972
Other income and gains		
Amortisation of deferred income	**1,114**	1,181
Bank interest income	**17**	9
Foreign exchange gain, net	**—**	158
Government grants (b)	**34**	40
Subcontracting income	**1,395**	432
Rental income	**1,036**	1,212
Reversal of impairment of trade receivables	**355**	25
Others	**571**	421
	4,522	3,478

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**33,409**	36,772
Interest on the loan from a fellow subsidiary	**1,406**	—
Interest on lease liabilities	**4**	7
	34,819	36,779

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	**23,927**	31,201
— Pension scheme contributions (a)	**8,985**	9,925
	32,912	41,126
Cost of inventories sold (b)	**173,681**	143,781
Depreciation		
— Property, plant and equipment	**32,961**	31,342
— Right-of-use assets	**2,993**	3,145
Amortisation of deferred income	**(1,114)**	(1,181)
Foreign exchange loss (gain), net	**28**	(158)
Rental income	**(1,036)**	(1,212)
Write-down of inventories, net	**—**	27
Reversal of impairment of trade receivables	**(355)**	(25)
Impairment of prepayments, deposits and other receivables, net	**2**	230
Impairment of property, plant and equipment	**3,117**	—
Impairment of amount due from a former fellow subsidiary (c)	**3,166**	—

Remarks:

(a) During the six months ended 30 June 2022, the government of the PRC granted reductions or exemptions from pension scheme contributions to certain subsidiaries operating in the PRC due to the coronavirus disease pandemic.

(b) Cost of inventories sold includes employee benefit expenses and depreciation (six months ended 30 June 2022: employee benefit expenses, depreciation and write-down of inventories), which are also included in the respective amounts disclosed separately above for each of these types of income and expenses.

(c) The amount represented the impairment of amount due from a former fellow subsidiary subsequent to the winding up of 哈爾濱大成生物科技有限公司 (Harbin Dacheng Bio Technology Co., Ltd.*), an indirect wholly-owned subsidiary of GBT, during the Period.

7. INCOME TAX CREDIT

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 2022.

During the Period and the six months ended 30 June 2022, 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.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Deferred tax		
— Origination and reversal of temporary differences, net	**19,466**	—
Income tax credit	**19,466**	—

8. LOSS PER SHARE

The calculation of the basic loss per share for the Period is based on the loss attributable to owners of the Company for the Period of approximately HK$83,939,000 (six months ended 30 June 2022: HK$117,503,000) and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 shares (six months ended 30 June 2022: 1,527,586,000 shares).

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the Period and the six months ended 30 June 2022.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Period (six months ended 30 June 2022: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Notes	**30 June 2023 (Unaudited)** ***HK$'000***	31 December 2022 (Audited) *HK$'000*
At 1 January		**507,865**	611,280
Additions		**52**	136
Depreciation	*6*	**(32,961)**	(70,192)
Impairment	*6*	**(3,117)**	(406)
Gain on properties valuation		**31,178**	—
Exchange realignment		**(20,121)**	(32,953)
At 30 June/31 December		**482,896**	507,865

11. TRADE RECEIVABLES

	30 June 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Trade receivables	**108,001**	125,105
Loss allowance	**(71,715)**	(76,145)
	36,286	48,960

The Group normally grants credit terms of 30 to 90 days (31 December 2022: 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 15.8% (31 December 2022: 26.5%) and 51.0% (31 December 2022: 69.8%) 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 2023	31 December 2022
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**24,796**	31,149
1 to 2 months	**9,710**	11,434
2 to 3 months	**1,495**	3,376
Over 3 months	**285**	3,001
	36,286	48,960

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Prepayments	**18,194**	7,016
Deposits and other debtors	**1,524**	7,756
The PRC value-added tax and other tax receivables	**13,411**	11,804
	33,129	26,576

13. TRADE PAYABLES

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Trade payables	**69,527**	85,882

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2022: 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 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Within 1 month	**9,289**	25,378
1 to 2 months	**4,645**	1,793
2 to 3 months	**328**	105
Over 3 months	**55,265**	58,606
	69,527	85,882

14. SHARE CAPITAL

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Authorised:		
100,000,000,000 (31 December 2022: 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 2022: 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.

During the Period, inflation remained a global issue with food price index staying at a high level, putting immense pressure on low to middle income groups in many countries. In addition, the banking crisis in the United States of America (the "**United States**"), the geopolitical conflicts and the war in Ukraine continued to impact the global economy. As a result, the projected global economic growth for 2023 has been lowered to 2.7% as compared to 3.3% for 2022. The PRC government has set a moderate annual growth target at 5% for 2023. However, the post-pandemic recovery has been slow during the Period and the PRC economy was under immense pressure resulted from the property market slump and the weak domestic and overseas demand as indicated by lower-than-expected retail and export sales figures. The unemployment rate among young people had also been increasing during the Period with June's number hitting a record high of 21.3%. All these have undermined consumers' confidence which created a challenging operating environment for the Group during the Period.

With respect to corn supply, various countries increased corn production as the threats to blockade of Ukraine's grain exports accelerated. Global corn production for the year 2023/24 is estimated at 1,213.5 million metric tonnes ("**MT**") (2022/23: 1,151.3 million MT), according to the estimates from the United States Department of Agriculture in August 2023. Increased corn production had cooled the international corn price to 555 US cents per bushel (equivalent to RMB1,585 per MT) (end of June 2022: 744 US cents per bushel (equivalent to RMB1,962 per MT)) by the end of June 2023. In the PRC, domestic corn harvest in 2023/24 is estimated to produce approximately 282.0 million MT (2022/23: approximately 277.2 million MT) of corn, with consumption volume estimated at 293.0 million MT (2022/23: 290.4 million MT). It is estimated that China's corn imports will dropped by 2.8% to approximately 17.5 million MT in 2023. Furthermore, wheat prices in the PRC started to fall since March 2023 causing feed manufacturers and farmers to replace corn with wheat as substitute to keep their costs low. As a result, domestic corn price dropped slightly to RMB2,760 per MT (end of June 2022: RMB2,827 per MT) by the end of June 2023. While recovery of demand from downstream users has been slow, corn cost remained high during the Period. According to an industry report in China, most of the corn refineries in China have been loss-making during the Period. The operating environment for upstream corn refinery industry has been challenging during the Period. In addition, the Group lacked the working capital 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 the year 2022/23 was 182.7 million MT (2021/22: 180.3 million MT) with consumption estimated at 176.4 million MT (2021/22: 173.2 million MT). The unexpected drop in sugar production in India and Europe together with the increased demand in bio-fuel as a result of high oil price during the Period have driven up the international sugar price to 22.86 US cents per pound (equivalent to RMB3,665 per MT) (end of June 2022: 18.70 US cents per pound (equivalent to RMB2,769 per MT)) by the end of June 2023. In the PRC, domestic sugar production dropped slightly to 9.0 million MT (2021/22: 9.6 million MT) in the 2022/23 harvest, while consumption grows slightly to 15.6 million MT (2021/22: 15.4 million MT). As the sugar deficit widened to 6.6 million MT, domestic sugar price increased to RMB7,044 per MT (end of June 2022: RMB5,778 per MT) by the end of June 2023. However, due to the over-supply situation in the sweeteners market and the intense market competition during the Period, the average selling price of the Group's sweeteners dropped by 7.3%. On the other hand, the sales volume of sweeteners improved as the Group's Shanghai production site resumed operation since its temporary suspension in the second quarter of 2022 as a result of the lockdown measures implemented in Shanghai, the PRC. Consequently, the performance of the Group's sweeteners segment has improved during the Period.

As the PRC government promised to dedicate its efforts in optimising the overall business environment and formulating policies to bolster consumption, the operating environment of the Group in the second half of 2023 is expected to improve. However, the domestic and overseas corn prices are expected to remain high throughout 2023, as problems such as climate change and geopolitical conflicts continue to escalate. With respect to the sugar market, driven by the increase in demand from various sectors (including the bio-fuel sector), it is estimated that global sugar production in 2023/24 harvest will reach 191.0 million MT with consumption estimated at 189.0 million MT, while domestic sugar production in China is expected to increase to 10.0 million MT with consumption estimated at 15.7 million MT. Although sugar deficit is expected to continue in China in the coming harvest season, the Group remains cautions about the outlook on the sweeteners market in the second half of 2023 considering the over-supply situation of the PRC sweeteners market and the slow demand recovery from end user market. In the short run, the Group will continue to monitor closely the market conditions as well as the financial conditions of the Group and be cautious in making decisions on the Group's business strategies so as to optimise the utilisation of the Group's production facilities, maintain a relatively healthy cash flow while balancing its market presence. In the long run, the Group will continue to strengthen its market position by utilising its brand name, strive to provide excellent customer service and be customer-oriented to better understand their ever-changing demands and product requirements, as well as to further improve the Group's cost effectiveness and product mix through continuous research and development efforts.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2022 was subject to the disclaimer of opinion by the external auditor (the "**Auditor**") of the Company based on material uncertainty related to going concern as detailed in the annual report of the Company for the year ended 31 December 2022 (the "**2022 Annual Report**") and the announcement of the Company dated 24 July 2023. The management of the Company wishes to draw the Shareholders' attention to note 2.2 to the condensed consolidated financial statements of the Group for the Period as set out on page 7 of this announcement, which provides the latest update on the relevant remedial measures taken or to be taken, which have been considered, recommended and agreed by the Audit Committee after its critical review of the management's position for the Period.

The Audit Committee held discussion with the Auditor and generally understood the concerns of the Auditor and the reasons for the disclaimer opinion on the consolidated financial statements of the Group for the year ended 31 December 2022. The Auditor is of the view that upon completion of all the remedial measures as set out in note 2.2 to the condensed consolidated financial statements of the Group for the Period, where the Group is able to demonstrate a stable improving trend in its financials and operating cash flows, the Auditor will revisit the situation on a dynamic basis and consider removing the audit modification in next year's financial statement of the Group.

Depending on the successful and favourable outcomes of such steps, the Directors, 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 2023.

IMPLEMENTATION OF CORPORATE GOVERNANCE CODE

The Group has implemented and will enhance the following internal control measures and procedures to ensure sufficiently clear and prominent disclosure and discussion as per the requirement of code provision D.1.3 of part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules:

(1) the Company has prepared a corporate governance and disclosure compliance checklist (the "**Compliance Checklist**") in relation to the required disclosures to be made in the annual report/interim report of the Company, which the company secretarial staff will check during the preparation of the annual report/interim report (including the corporate governance report) and prior to their publication. Going forward, the company secretarial staff will review and update such Compliance Checklist more frequently as and when appropriate and ensure that the relevant disclosures are made in the designated section of the annual report/interim report in compliance with Listing Rules; and

(2) the Company has provided monthly training (by sending latest and relevant materials or provision of physical trainings) to the Directors, training of which includes and will be further enhanced to include updates on the CG Code in greater details so as to ensure that the respective Directors are fully aware of their responsibilities and the Company's disclosure obligations.

FINANCIAL PERFORMANCE

During the Period, as the pace of economic recovery had been slow, the Group has continued to suspend the operation of its production facilities as detailed in the Company's announcements dated 24 September 2019, 10 February 2020 and 29 May 2020. During the Period, the Group's production facilities in Shanghai has resumed operation since the second quarter of 2022 from its temporary suspension. Consequently, the sales volume and the consolidated revenue of the Group increased by approximately 33.3% and 25.0% respectively to approximately 48,000 MT (2022: 36,000 MT) and HK$193.7 million (2022: HK$155.0 million) respectively during the Period. In addition, as the price of corn starch, the principal raw material of the Group's Shanghai production site, dropped during the Period, the consolidated gross profit of the Group for the Period increased significantly by approximately 78.6% to approximately HK$20.0 million (2022: HK$11.2 million) while the gross profit margin of the Group increased by 3.1 percentage points to 10.3% (2022: 7.2%).

As the Shanghai production site resumed operation, the expenses in relation to idle capacity of suspended production facilities in Shanghai decreased by HK$11.4 million to HK$22.5 million (2022: HK$33.9 million). In addition, due to the recognition of temporary differences, the Group recorded deferred tax credit of approximately HK$19.5 million (2022: Nil) during the Period. Consequently, net loss of the Group narrowed to approximately HK$83.9 million (2022: HK$117.5 million), with LBITDA (i.e., loss before interest, taxation, depreciation and amortisation) improved to approximately HK$32.6 million (2022: HK$46.2 million) for the Period.

With respect to the Group's financial position, the Group has been exploring various possibilities to (1) raise funds to facilitate and implement the next stage of the debt restructuring plan with the support of Jilin General Office and Jilin SASAC; and (2) strive to speed up the execution of the resumption of the Relevant Properties in order to settle the outstanding consideration for the purchase of the Repurchased Loans.

Meanwhile, the Group will continue to devote its energy in facilitating the completion of the GSH Restructuring in relation to, among others, the Dihao Transfer and the CB Subscription. Upon the completion of the GSH Restructuring, Dihao Foodstuff will cease to be a subsidiary of the Company and become part of the GBT Group, all the loans subject to the above debt restructuring plan and the Repurchased Loans will then be owed by the GBT Group after the Dihao Completion and the Group will be released from its repayment obligations even if the debt restructuring plan and the resumption of the Relevant Properties are yet to be completed by then.

The Directors believe that the GSH Restructuring, if completed, will (1) provide additional fund to settle the loans under disputes with banks and thus improve the financial position and gearing level of the Group; (2) enhance the working capital position of the Group and prepare for the resumption of operations of the Jinzhou production site so as to improve the Group's operating cash flow; and (3) release the Group from its obligations in relation to loans owed by Dihao Foodstuff.

Upstream products

(Sales amount: Nil (2022: Nil))
(Gross profit: Nil (2022: Nil))

During the Period, no sale of upstream products was recorded as the Group has suspended all its upstream operations to minimise financial risks and secure financial resources since the second quarter of 2020 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 (2022: Nil and Nil) were recorded during the Period. No internal consumption of corn starch was recorded during the Period (2022: Nil).

Corn Sweeteners

Corn syrup

(Sales amount: HK$175.9 million (2022: HK$134.6 million))
(Gross profit: HK$17.9 million (2022: HK$8.1 million))

During the Period, the revenue of the corn syrup segment increased by approximately 30.7% to approximately HK$175.9 million (2022: HK$134.6 million). Such increase was mainly attributable to the increased in sales volume by approximately 38.7% to approximately 43,000 MT (2022: 31,000 MT) as the Shanghai production site resumed operation subsequent to its temporary suspension in the second quarter of 2022. Meanwhile, raw material cost has dropped at an even faster rate than the decrease in selling price of corn syrup products during the Period, the corn syrup segment recorded gross profit of approximately HK$17.9 million (2022: HK$8.1 million) for the Period, with gross profit margin increased to 10.2% (2022: 6.0%).

Corn syrup solid

(Sales amount: HK$17.8 million (2022: HK$20.4 million))
(Gross profit: HK$2.1 million (2022: HK$3.1 million))

During the Period, the Group sold approximately 5,000 MT (2022: 5,000 MT) of corn syrup solid, which was entirely maltodextrin. The revenue of maltodextrin decreased by approximately 12.7% to HK$17.8 million (2022: HK$20.4 million) which was attributable to the decrease in selling price. Due to the drop in cost of corn starch and the intense market competition, the selling price of corn syrup solid dropped by 12.2% during the Period, the gross profit and gross profit margin of the corn syrup solid segment decreased to approximately HK$2.1 million (2022: HK$3.1 million) and 11.8% (2022: 15.2%), respectively.

Export sales

During the Period, export sales accounted for approximately 3.9% (2022: 3.2%) of the Group's total revenue. The Group exported approximately 1,800 MT (2022: 1,000 MT) of corn sweeteners which amounted to sales of approximately HK$7.6 million (2022: HK$5.0 million) during the Period.

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

Other income and gains

During the Period, other income and gains of the Group increased by approximately 28.6% to approximately HK$4.5 million (2022: HK$3.5 million) which was mainly attributable to the increase in subcontracting income.

Selling and distribution costs

During the Period, selling and distribution costs remained at similar level of approximately HK$16.1 million (2022: HK$16.2 million), accounting for approximately 8.3% (2022: 10.5%) of the Group's total revenue.

Administrative expenses

During the Period, administrative expenses slightly increased by approximately 7.3% to approximately HK$46.9 million (2022: HK$43.7 million). Such increase was a result of the professional expenses incurred in relation to the GSH Restructuring during the Period.

Other expenses

Other expenses of the Group decreased to approximately HK$30.0 million (2022: HK$35.5 million) during the Period. Such decrease was mainly attributable to the decrease in expenses in relation to the idle capacity as a result of the resumption of operation of the Shanghai production site.

Finance costs

During the Period, finance costs of the Group remained at a high level at approximately HK$34.8 million (2022: HK$36.8 million), which was mainly attributable to the high gearing ratio during the Period.

Income tax credit

Due to the recognition of temporary differences, the Group recorded deferred tax credit of approximately HK$19.5 million (2022: Nil) during the Period. Meanwhile, as all the subsidiaries of the Group recorded tax losses or the estimated assessable profits were wholly absorbed by tax losses brought forward during the Period, no income tax expenses were recorded for the Period (2022: Nil). As a result, the Group recorded tax credit of approximately HK$19.5 million (2022: Nil) during the Period.

Loss attributable to shareholders

Due to the improvement in gross profit and utilisation rate of the Group's production facilities in the Shanghai production site during the Period, the net loss of the Group for the Period narrowed to approximately HK$83.9 million (2022: HK$117.5 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 2023 decreased by approximately HK$48.4 million to approximately HK$747.0 million (31 December 2022: HK$795.4 million) as a result of the net repayment of certain bank and other borrowings of approximately HK$5.6 million and exchange rate adjustment of approximately HK$42.8 million during the Period, while cash and bank balances as at 30 June 2023 increased by HK$3.6 million to approximately HK$7.9 million (31 December 2022: HK$4.3 million), which were mainly denominated in Renminbi and Hong Kong dollars (31 December 2022: mainly denominated in Renminbi and Hong Kong dollars). As such, the net borrowings of the Group decreased to approximately HK$739.1 million (31 December 2022: HK$791.1 million) as at 30 June 2023.

Structure of interest-bearing bank and other borrowings

As at 30 June 2023, the Group's interest-bearing bank and other borrowings amounted to approximately HK$747.0 million (31 December 2022: HK$795.4 million), all (31 December 2022: all) of which were denominated in Renminbi. All (31 December 2022: All) of the Group's interest-bearing bank and other borrowings were wholly repayable within one year.

As at 30 June 2023, interest-bearing bank and other borrowings amounted to approximately HK$228.5 million (31 December 2022: HK$241.5 million) have been charged at fixed interest rates of approximately 7.0% to 8.0% per annum (31 December 2022: 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 decreased to approximately 34 days (31 December 2022: 50 days) as the Group had maintained a stringent credit control during the Period.

During the Period, trade payables turnover days decreased to approximately 73 days (31 December 2022: 94 days) as the Group has actively negotiated with creditors on repayment plans mutually-agreed among the parties during the Period.

During the Period, the inventory turnover days remained at 47 days (31 December 2022: 47 days).

As at 30 June 2023, the current ratio and quick ratio remained at approximately 0.09 (31 December 2022: 0.09) and 0.06 (31 December 2022: 0.06) respectively. Gearing ratio in terms of total debts (i.e. total interest-bearing bank and other borrowings) to total assets (i.e. sum of non-current assets and current assets) was approximately 113.9% (31 December 2022: 115.8%).

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 3.9% (2022: 3.2%) 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 in relation to, among others, the failure of 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**"), a wholly-owned subsidiary of the Company in satisfying certain financial covenants under the various loan agreements entered into between Jinzhou Yuancheng and Jinzhou CCB in respect of the Jinzhou CCB Loans, such failure to perform or comply with the financial covenants would entitle Jinzhou CCB to declare the outstanding principal amount, accrued interest and all other sums payable under the Jinzhou CCB Loans immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the Group. The Jinzhou CCB Loans were jointly and severally guaranteed by GBT and certain subsidiaries of the Company with a maximum guaranteed principal amount of not more than RMB200.0 million.

As detailed in the joint announcements of the Company and GBT dated 14 January 2022 and 22 February 2022, Jinzhou CCB has applied to 遼寧省瀋陽市中級人民法院 (Intermediate People's Court of Shenyang City, Liaoning Province*) (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 RMB213,882,635.55 in respect of the Jinzhou CCB Loans. As at the date of this announcement, the outstanding principal amount of the Jinzhou CCB Loans is approximately RMB188.7 million.

(2) Reference is made to the joint announcement of the Company and GBT dated 23 December 2020 regarding the Group's default in repayment of loans 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. 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 Dihao Crystal Sugar have provided collaterals to secure such loan. 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 and the announcement of the Company dated 24 July 2023, pursuant to the transfer agreement entered into between Jilin Branch ABC and Jilin Cinda, Jilin Branch ABC (acting on behalf of Nongan Branch ABC) has agreed to sell to Jilin Cinda, and Jilin 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. As at the date of this announcement, the outstanding principal amount under such loan agreement is RMB180.0 million.

(3) As detailed in the joint announcement of the Company and GBT dated 25 August 2023, Jinzhou Yuancheng has defaulted in the repayment of the loans it owed to 錦州銀行股份有限公司鐵北支行 (Tiebei Branch of Bank of Jinzhou Co., Ltd.*) ("**Tiebei BOJ**") pursuant to the loan agreements respectively dated 25 August 2020 and 27 December 2021 entered into between Jinzhou Yuancheng and Tiebei BOJ (the "**Tiebei BOJ Loans**"), which have become immediately due and payable. The Tiebei BOJ Loans are secured by mortgage of certain properties owned by Jinzhou Yuancheng, and also guaranteed by Dihao Foodstuff. As at the date of this announcement, the outstanding principal amount under the Tiebei BOJ Loans is RMB212.5 million. The default of the repayment of the Tiebei BOJ Loans by the Group may also trigger cross default of other loan agreements entered into by the Group and the GBT Group.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

GSH Restructuring

The Dihao Transfer

On 6 April 2023 (after trading hours), (i) Global Sweeteners (China) Limited (the "**Dihao Vendor A**") and Global Starch (Changchun) Investments Limited (the "**Dihao Vendor B**"), each a wholly-owned subsidiary of the Company, as vendors, and Global Bio-Chem Technology (HK) Limited (the "**Dihao Purchaser**"), a direct wholly-owned subsidiary of GBT, as purchaser, entered into a sale and purchase agreement, pursuant to which, among others, the Dihao Vendor A and the Dihao Vendor B have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in Dihao Foodstuff, at the consideration of RMB1.0; and (ii) the Dihao Vendor A and Global Sorbitol (H.K.) Company Limited (the "**Dihao Vendor C**"), also a wholly-owned subsidiary of the Company, as vendors, and the Dihao Purchaser, as purchaser, entered into a sale and purchase agreement, pursuant to which, among others, the Dihao Vendor A and the Dihao Vendor C have conditionally agreed to sell and the Dihao Purchaser has conditionally agreed to purchase the entire equity interests in Dihao Crystal Sugar, at the consideration of RMB1.0.

Upon the Dihao Completion, each of Dihao Foodstuff and Dihao Crystal Sugar will cease to be a subsidiary of the Company and become part of the GBT Group. As at the date of this announcement, the Dihao Completion is yet to take place.

Provision of Counter-Guarantee and Indemnity by the Company to GBT Group

Pursuant to a term of the Dihao SPAs, the Company shall execute and deliver to GBT and Dihao Foodstuff a deed of counter-guarantee (the "**GSH Counter-guarantee**") at Dihao Completion, such that the Company will, among others, provide counter-guarantee and indemnity to GBT and Dihao Foodstuff in respect of the obligations and liabilities that GBT and Dihao Foodstuff may incur and suffer under the guarantees provided by GBT and/or Dihao Foodstuff to Jinzhou CCB and Tiebei BOJ in respect of the debts owed or to be owed by Jinzhou Yuancheng, to Jinzhou CCB and Tiebei BOJ, in the principal amount of approximately RMB401.5 million and the interest accrued thereon, under the guarantee agreements dated 13 September 2018, 20 May 2019 and 27 December 2021.

The CB Subscription

On 6 April 2023 (after trading hours), the Company entered into the CB Subscription Agreement with the Joint Offerors, as subscribers pursuant to which the Company has conditionally agreed to issue, and the Joint Offerors have conditionally agreed to subscribe for, the 3 year, 5 per cent Convertible Bonds in the aggregate principal amount of RMB120.0 million (equivalent to approximately HK$138.0 million), which may be converted into a total of 1,380,000,000 new ordinary share(s) of HK$0.1 each (the "**Conversion Shares**") to be allotted and issued by the Company pursuant to the exercise of the conversion right attached to the Convertible Bonds at an initial conversion price of HK$0.1 per Conversion Share (the "**Conversion Price**"), subject to the adjustment pursuant to the terms and conditions of the Convertible Bonds. The net Conversion Price, after deduction of relevant expenses, is approximately HK$0.1 per Conversion Share. The net proceeds from the issue of the Convertible Bonds will be RMB120.0 million (equivalent to approximately HK$138.0 million). The Company intends to use the net proceeds as follows: (i) RMB60.0 million for repayment of the first installment of the Jinzhou CCB Loans; and (ii) RMB60.0 million for the preparation for the resumption of operation of the Jinzhou production facilities such as the expenses in relation to trial run and the procurement of raw materials. As at the date of this announcement, the completion of the CB Subscription is yet to take place.

Possible mandatory unconditional general offer

Upon the completion of the GSH Disposal (the "**GSH Completion**"), the Joint Offerors and parties acting in concert with them will become interested in a total of 777,673,000 shares of the Company, representing approximately 50.91% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") published by the Securities and Futures Commission (the "**SFC**"), upon the GSH Completion, the Joint Offerors and the parties acting in concert with them will be required to make a mandatory unconditional general offer in cash (the "**Offer**") for all the issued shares of the Company (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them) (the "**Offer Shares**").

Subject to and upon the GSH Completion, CCB International Capital Limited and China Galaxy International Securities (Hong Kong) Co., Limited will make the Offer for and on behalf of the Joint Offerors on the terms to be set out in the composite document to be despatched to the Shareholders in compliance with the Takeovers Code on the basis of HK$0.06 in cash for every Offer Share (the "**Offer Price**"). The Offer Price is the same as the price per share payable by the Joint Offerors for the shares of GSH to be sold under the GSH SPA (the "**GSH Sale Shares**").

As disclosed in the Joint Announcement, the Offer will only be made if the GSH Completion takes place, and the GSH Completion is conditional upon the fulfilment or waiver (as the case maybe) of certain conditions precedent (the "**Conditions Precedent**") under the GSH SPA. As independent Shareholders' approval for the Dihao SPAs, the CB Subscription Agreement and the transactions contemplated thereunder has been obtained and the shareholders' approval for the GSH SPA and the transactions contemplated thereunder (including but not limited to the sale of the GSH Sale Shares, the signing of the Dihao SPAs and the transactions contemplated thereunder, and the signing of the CB Subscription Agreement and the transactions contemplated thereunder) has also been obtained from the shareholders of GBT, Conditions Precedent (iii) and (iv) set out under the paragraph headed "Disposal of approximately 47.00% of the issued shares in GSH by GBT Group to the Joint Offerors – Conditions precedent" in the Joint Announcement have been satisfied. In addition, the consent to the GSH Counter-guarantee and the Dihao Transfer has been granted by the SFC and such consent is subject to approvals by the independent Shareholders which had already been obtained. Save as disclosed, all other Conditions Precedent remain outstanding as at the date of this announcement. Therefore, as at the date of this announcement, GSH Completion is yet to take place.

For further details of the GSH Restructuring (including the Dihao Transfer and the CB Subscription), the GSH Counter-guarantee and the possible Offer, please refer to the Joint Announcement and the joint announcements issued by the Company and the Joint Offerors dated 23 May 2023, 20 June 2023, 20 July 2023 and 18 August 2023, in relation to, among others, the monthly updates on the possible Offer.

FUNDRAISING ACTIVITIES

The CB Subscription

Save as disclosed in the paragraph headed "GSH Restructuring – The CB Subscription" on page 32 above in relation to the CB Subscription, of which completion is yet to take place and therefore no fund has been received as at the date of this announcement, the Group did not conduct any other fundraising activities during the Period.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

Save for the default in the repayment of Tiebei BOJ Loans as disclosed in paragraph (3) under the section headed "Disclosure pursuant to Rules 13.19 and 13.21 of the Listing Rules – Breach of loan agreements" on page 30 of this announcement, there is no other important events after the end of the Period and 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.

Meanwhile, the Group will continue to monitor closely the market conditions as well as the financial conditions of the Group 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 a relatively healthy cash flow while balancing its market presence.

The Group will continue to strengthen its market position utilising its brand name, strive to provide excellent customer service and be customer-oriented to better understand their ever-changing demands and product requirements, dedicate more time and energy in resources conservation and development of green products and further improve the Group's cost effectiveness and product mix through continuous research and development efforts.

With respect to the financial position of the Group, on the one hand, the Group has been exploring various possibilities to raise funds to facilitate and implement the next stage of the debt restructuring plan with the support of Jilin SASAC and settle the outstanding consideration for the Repurchased Loans with the proceeds from the resumption of the Relevant Properties. On the other hand, the management will endeavour to facilitate the completion of the GSH Restructuring in relation to, among others, the Dihao Transfer and the CB Subscription 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 2023, the Group had approximately 840 (2022: 920) 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$32.9 million (2022: approximately HK$41.1 million).

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend in respect of the Period (six months ended 30 June 2022: 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, save for the deviation from code provision C.2.1 of part 2 of the CG Code during the Period as Mr. Wang Guicheng assumes the dual roles of the chief operating officer of the Company and the chairman of the Board, the Company has applied and complied with all code provisions as set out in part 2 of the CG Code. For further details in relation to the deviation, please refer to the section headed "Chairman and Chief Executive Officer" in the 2022 Annual Report.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") 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 AND REVIEW OF INTERIM FINANCIAL INFORMATION

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 had reviewed the interim results of the Group for the Period and this announcement and had 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 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
Wang Guicheng
Chairman

Hong Kong, 31 August 2023

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