



大成糖業控股有限公司\*  
**GLOBAL Sweeteners Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)  
Stock Code: 03889



**2022**  
Interim Report

\* For identification purpose only

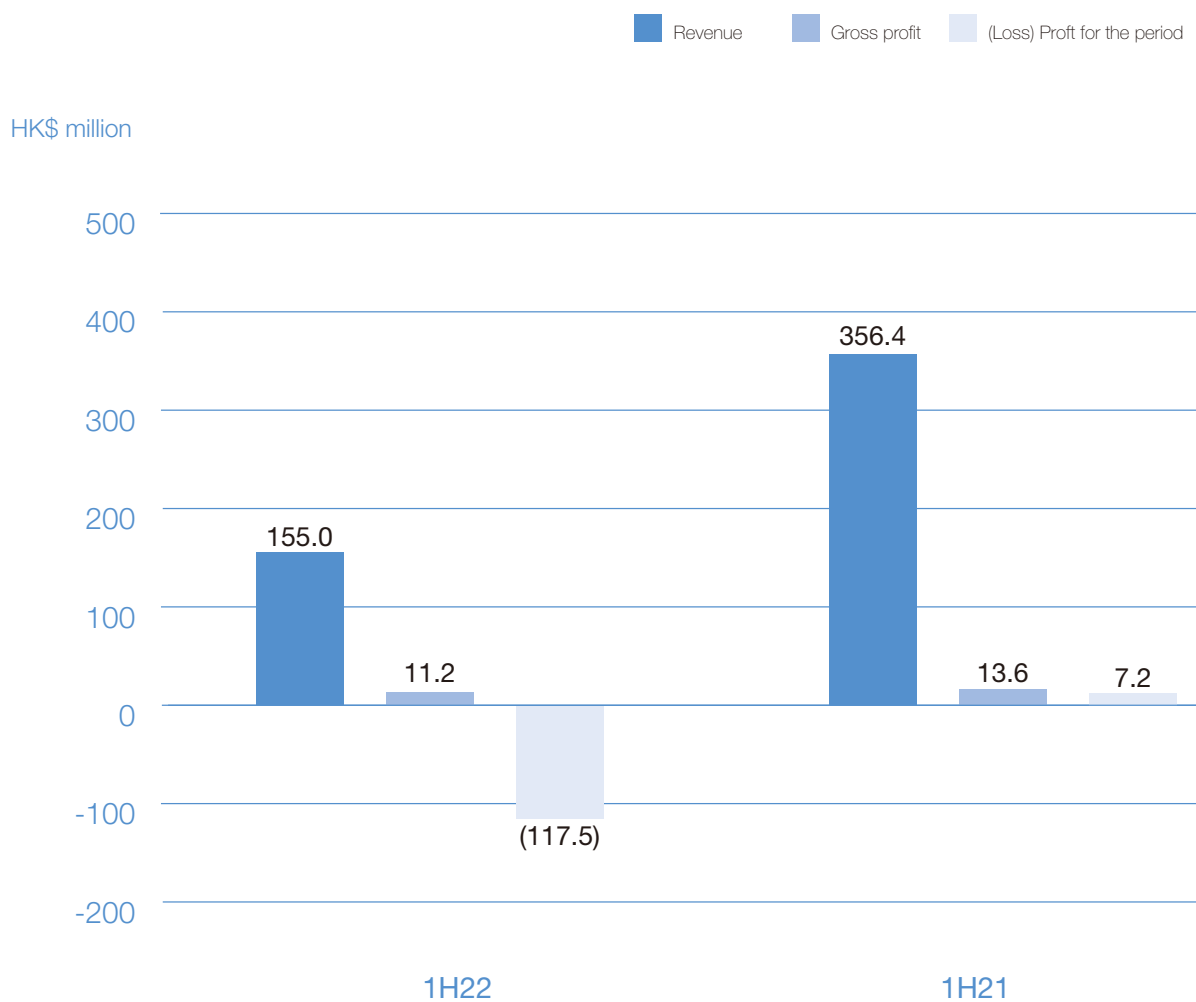
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# FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2022 (Unaudited)	2021 (Unaudited)	Change %
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



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhang Zihua (*Acting Chairman*)  
Mr. Tai Shubin

### Independent non-executive Directors

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

## COMPANY SECRETARY

Mr. Chan Sing Fai, ACG, HKACG, HKICPA

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1002, 10<sup>th</sup> Floor  
Tower A, Cheung Kei Center  
18 Hung Luen Road  
Hung Hom  
Kowloon  
Hong Kong

## AUDITOR

Mazars CPA Limited  
*Certified Public Accountants*  
42<sup>nd</sup> Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners  
40<sup>th</sup> Floor, Jardine House  
1 Connaught Place  
Central  
Hong Kong

## PRINCIPAL BANKER

Bank of China (Hong Kong) Limited  
Bank of Jinzhou Co., Ltd.

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17<sup>th</sup> Floor, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## WEBSITE

[www.global-sweeteners.com](http://www.global-sweeteners.com)

## STOCK CODE

03889



## MESSAGE TO SHAREHOLDERS

Dear Shareholders,

The PRC economy has been affected by various factors since the beginning of 2022. Although China's gross domestic product in the first half of the year recorded a 2.5% year-on-year growth, the quarterly growth rate actually dropped significantly from 4.8% in the first quarter to 0.4% in the second quarter subsequent to lockdown measures imposed in various cities in China since the end of the first quarter, reflecting the domestic economic development was under downward pressure.

Despite strict measures were implemented to manage the risks of COVID-19 in China, there were still sporadic outbreaks reported in various regions during the period under review. In Shanghai, strict epidemic control measures have been imposed by classifying residential areas based on a three-zone epidemic control system since early April. As Shanghai is a major financial centre and container port, the measures had not only brought economic activities to a standstill for almost two months, but also tremendous impact on the production activities of various manufacturing sectors as a result of impeded spare parts logistics.

### BUSINESS REVIEW

Supply and demand in the global sugar market were in balance during 2021/22 harvest year. However, owing to escalating worldwide inflation, as well as skyrocketing global energy and food prices as a result of the Russo-Ukrainian conflict, international sugar prices continued to increase. On the other hand, domestic output was insufficient to meet internal demand and China had to rely on imports to cover a portion of the shortfall. During the period under review, domestic sugar price had also increased.

Corn price during the period under review remained high. With mounting raw material costs for the upstream corn refinery business, coupled with the Group's tight liquidity, the Group continued to suspend its upstream operation during the period under review. As all the inventory of upstream products had been sold in the previous year, no revenue from the sale of upstream products was recorded during the period under review.

Operation of the Group's production facilities in Shanghai had been suspended for almost two months since lockdown measures have been imposed in the city since April this year. The Group began to resume the operation of part of its production facilities in Shanghai at the end of June. Affected by the aforesaid pandemic control measures, the sales volume and amount of the Group's sweetener products retreated significantly year-on-year. Nevertheless, as sugar price surged and the expenses in relation to suspension of operation had been allocated to other expenses, the gross profit margin increased.

The Group reported a loss for the first half of the year, mainly attributable to the absence of the recognition of the one-off gain on debt restructuring recorded in the corresponding period last year subsequent to the completion of the repurchase agreements that took place on 31 March 2021, which reversed the year-on-year performance of the Group.

The Group's management continued to push forward the implementation of its debt restructuring plan with its creditors during the first half of the year, in an attempt to completely resolve the Group's debt issues. On the other hand, the management team maintained active discussion with local government for the resumption of the remaining part of the land and properties located in Luyuan District, Changchun, as soon as possible, in order to obtain compensation from land resumption to provide the necessary capital for debt repurchase in order to complete the debt restructuring.

# MESSAGE TO SHAREHOLDERS

## OUTLOOK

The global economy is still shrouded in uncertainty. The ongoing Russo-Ukrainian conflict exerts tremendous pressure on the political and economic landscape in Europe. Worldwide economies are also facing mounting risks of stagflation. In addition, disruptions and delays in cross-border logistics and international trade still persist.

Mainland China also encounters various challenges. In the real estate sector, a number of companies are facing credit crunch. Domestic economy also shows signs of slowing down, while consumer sentiment declines. All these will affect the manufacturing and retail sectors to varying degrees. Cargo traffic as well as production activities are also hindered to different extents by the strict COVID-19 control measures imposed by local government as a result of sporadic outbreaks.

The outlook for sugar price is expected to turn bearish, with increased production volume anticipated in 2022/23 harvest year. Corn price in 2022 will remain high. Upon the partial resumption of operation of the Group's production facilities in Shanghai since the end of June, the Group is gradually ramping up its operation to normal level. The Group will monitor the market development trend, and prudently assess its strategies in order to optimise existing production capacities to secure healthy cash flow, while identifying the right timing for the resumption of part of the upstream facilities.

The Group's debt restructuring plan is entering the final stage. It is expected that part of the debt restructuring plan can be completed before the end of this year. By that time, the Group can gradually relieve the heavy debt burden so that the management team could direct its full attention to enhancing the operational efficiency and competitive edge of the Group's business.

Although the Group faces various challenges, the dedication and commitment of the Group's employees at all levels persists, as well as the support of shareholders, creditors, business partners as well as the relevant government departments. I, hereby, take this opportunity to express my heartfelt thanks to all the aforesaid parties.

**Zhang Zihua**  
*Acting Chairman*

30 August 2022



## MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) are 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 six months ended 30 June 2022 (the “**Period**”), the global economy showed signs of slowdown amid the continued impact of the coronavirus disease (“**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 People’s Republic of China (the “**PRC**” or “**China**”), 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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 Global Bio-chem Technology Group Company Limited (“**GBT**”, together with its subsidiaries, the “**GBT Group**”) 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 the global economy. In the short run, the Group will continue to monitor closely the relevant COVID-19 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 push forward with 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 (the “**Audit Committee**”) of the Company after its critical review of the management’s position for the Period:





# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 27 to page 30 of this report to improve the financial position of the Group. Dependent on the successful and favourable outcomes of such steps, the board (the “**Board**”) of directors (the “**Directors**”) of the Company, 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 長春潤德投資集團有限公司 (Changchun Rudder Investment Group Co., Ltd.\*) (“**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 land and buildings owned by the Group located in Luyuan District, Changchun, the PRC (the “**Relevant Properties**”) 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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) were 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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. sum of 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 27 to page 30 of this report.



# MANAGEMENT DISCUSSION AND ANALYSIS

## MAJOR INVESTMENTS

The Group had no major investments or capital assets during the Period. As at the date of this report, the Group does not have any future plans for material investments or capital assets.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Period.

## CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any significant contingent liabilities.

## CHARGE ON ASSETS

As at 30 June 2022, the Group's interest-bearing bank and other borrowings amounted to approximately HK\$607,071,000 (31 December 2021: HK\$653,394,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group which amounted to approximately HK\$380,966,000 (31 December 2021: HK\$415,448,000) and HK\$52,400,000 (31 December 2021: HK\$56,127,000), respectively, and a receivable of a fellow subsidiary amounted to approximately HK\$117,647,000 (31 December 2021: HK\$121,951,000).

## 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.

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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).



## DISCLOSURE OF ADDITIONAL INFORMATION

### INTERIM DIVIDEND

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

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, none of the Directors and chief executives of the Company had any interests and short position in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange (the “**Model Code**”).

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period were rights to acquired benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of shares held (a)	Percentage of the Company's issued share capital
Global Corn Bio-chem Technology Company Limited (“ <b>Global Corn Bio-chem</b> ”)	Beneficial owner	977,778,000 shares (L)	64.01
GBT	Interest of a controlled corporation (b)	977,778,000 shares (L)	64.01
	Beneficial owner	500,000 shares (L)	0.03
Modern Agricultural Industry Investment Limited (“ <b>Modern Agricultural</b> ”)	Interest of a controlled corporation (c)	978,278,000 shares (L)	64.04



## DISCLOSURE OF ADDITIONAL INFORMATION

### Remarks:

- (a) The letter “L” denotes the person’s interest in the share capital of the Company.
- (b) These shares are registered in the name of Global Corn Bio-chem, which is a wholly-owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the shares in which Global Corn Bio-chem is interested according to the SFO.
- (c) These shares are registered in the name of or deemed to be interested by GBT, of which the issued share capital is beneficially owned as to approximately 35.2% by Modern Agricultural as at the date of this report. The entire issued capital of Modern Agricultural is held by Modern Agricultural Industry Investment Holdings Limited (“**Modern Agricultural Holdings**”) which is in turn wholly-owned by Jilin Province Modern Agricultural Industry Investment Fund (LLP) (“**PRC LLP**”). The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited (“**GP**”). As at the date of this report, the investment capital of PRC LLP is owned as to 60.0% by 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.) (“**Nongtou**”) (Nongtou is controlled by 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**”)), as to 26.7% by 銀華長安資本管理(北京)有限公司 (Yinhua Wealth Capital Management (Beijing) Co., Ltd.\*) and as to 13.3% by 長春市新興產業股權投資基金有限公司 (Changchun Emerging Industry Equity Investment Fund Co., Ltd.\*). Accordingly, each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC is deemed to be interested in the interest held by GBT under the SFO.

As of 30 June 2022, none of the Directors nor chief executives of the Company had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### 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 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.





## DISCLOSURE OF ADDITIONAL INFORMATION

### UPDATE ON DIRECTOR'S INFORMATION PURSUANT TO RULE 13.51B OF THE LISTING RULES

Mr. Fan Yeran, an independent non-executive Director, attained a Master's degree in law from Jilin University in June 2022.

### 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 duties of the Audit Committee are, among others, to review the Company's half yearly and annual financial statements and to make recommendations to the Board on appointment and removal of the Auditor. The Audit Committee meets regularly with the Company's senior management, internal audit team and the Auditor to review the Company's financial reporting process, the effectiveness of internal control, audit process and risk management.

The Audit Committee had reviewed the interim results of the Group for the Period and this report and had discussed with the management of the Company for the accounting principles and policies adopted by the Group, with no disagreement.

### NOMINATION COMMITTEE

The nomination committee (the "**Nomination Committee**") of the Company comprises an executive Director, Mr. Zhang Zihua (chairman of the Nomination Committee), and two independent non-executive Directors, being Mr. Fan Yeran and Mr. Lo Kwing Yu. The duties of the Nomination Committee are, among others, determining policy for the nomination of the Directors, including the nomination procedures, processes and criteria adopted by the Nomination Committee to select and recommend candidates for directorship. The Nomination Committee also reviews the structure, size and composition of the Board, evaluates the nomination policy, assesses the independence of the independent non-executive Directors and makes recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company.

### REMUNERATION COMMITTEE

The members of the remuneration committee (the "**Remuneration Committee**") of the Company include an executive Director, Mr. Zhang Zihua, and two independent non-executive Directors, being Mr. Fan Yeran (chairman of the Remuneration Committee) and Mr. Lo Kwing Yu. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of the Directors and the senior management, as well as on the Group's policy and structure for the remuneration of the Directors and the senior management. The Remuneration Committee also assesses performance of the Directors and approves the terms of the Directors' service contracts. The Board has adopted remuneration policy of the Directors on the basis of their merit, qualification and competence with reference to the market benchmarks.

# DISCLOSURE OF ADDITIONAL INFORMATION

## CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee (the “**Corporate Governance Committee**”) of the Company was established in accordance with the requirements of the CG Code for the purposes of determining, developing and reviewing the Company’s policies and practices on corporate governance, and providing supervision over the Board and its committees’ compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes. The Corporate Governance Committee comprises an executive Director, Mr. Zhang Zihua, and two independent non-executive Directors, being Mr. Fong Wai Ho (chairman of the Corporate Governance Committee) and Mr. Fan Yeran.

The Corporate Governance Committee reviewed the Company’s policies and practices on corporate governance, and considered that the Company has complied with all code provisions in the CG Code during the Period.

## CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The continuing connected transactions executive committee (the “**CCT Executive Committee**”) of the Company is responsible for monitoring, reviewing and managing the continuing connected transactions (the “**CCT**”) between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare the CCT reports and submit the same to the CCT supervisory committee (the “**CCT Supervisory Committee**”) of the Company on regular basis. The members of the CCT Executive Committee are Mr. Meng Xiangyan and Mr. He Xiaoming, both being the senior management of the Group.

## CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee that comprises all three independent non-executive Directors was established by the Board to supervise the CCT Executive Committee. The main responsibilities of the CCT Supervisory Committee, among others, are:

- (1) to devise and revise detailed rules and guidelines (the “**Prescribed Guidelines**”) from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with the GBT Group, which are not qualified for exemptions or waivers from the shareholders’ approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules, will be entered into in accordance with the respective agreements on normal commercial terms or better and on terms that are fair and reasonable and in the interests of the shareholders as a whole;
- (2) to review, on a quarterly basis, the quarterly reports (the “**CCT Quarterly Reports**”) submitted by the CCT Executive Committee in relation to the transactions (if any) under the respective agreements and determine whether they have been proceeded with in accordance with the Prescribed Guidelines;
- (3) in respect of the provision of utility services (the “**Utility Services**”) by the GBT Group to the Group under the Prescribed Guidelines, to review the CCT Quarterly Reports from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the previous quarter, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group, and to recommend the Board to take action in recovering any excessive fees charged by the GBT Group (if any); and
- (4) to report its findings on review of the CCT Quarterly Reports to the Board and give recommendations to the Board to ensure the transactions will be entered into in the interests of the Group and the shareholders of the Company as a whole.



## DISCLOSURE OF ADDITIONAL INFORMATION

After the expiries of (i) the agreement entered into between the GBT Group as supplier and the Group as purchaser in relation to the purchase of corn starch and other raw materials such as enzymes by the Group from the GBT Group; (ii) the agreement entered into between the Group as seller and the GBT Group as purchaser in relation to the sale of corn sweeteners by the Group to the GBT Group; and (iii) the agreement entered into between the GBT Group as supplier and the Group as customer in relation to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group (collectively, the “**Master Agreements**”) on 31 December 2021, no transactions under the Master Agreements have been conducted. However, there have been insignificant amount of CCT which are fully exempted from the shareholders’ approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules during the Period. All such CCT have been reviewed by the CCT Supervisory Committee and no other matter needs to be brought to the attention of the shareholders of the Company.

### 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 report, 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.

# DISCLOSURE OF ADDITIONAL INFORMATION

## Relocation of production facilities to the Xinglongshan site

In relation to 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 a subscription agreement (the “**Subscription Agreement**”) with 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 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 working towards the fulfillment of the conditions precedents under the Subscription Agreement and the Subscription is yet to take place as at the date of this report. Further announcement will be made by the Company when the Subscription proceeds to completion.



# DISCLOSURE OF ADDITIONAL INFORMATION

## 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 an indirect wholly-owned subsidiary of the Company, 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 agreement 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 report, the outstanding principal amount of the Yuancheng BOC Loan is approximately RMB28.8 million.

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 report, the outstanding principal amount of the Yuancheng CCB Loans is approximately RMB189.9 million.

## DISCLOSURE OF ADDITIONAL INFORMATION

- (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 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 中國農業銀行股份有限公司農安縣支行 (Nongan Branch of Agricultural Bank of China Co., Ltd.\*) (“**Nongan Branch ABC**”) with 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 report, 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 中國農業銀行股份有限公司吉林省分行 (Jilin Branch of Agricultural Bank of China Co., Ltd.\*) (“**Jilin Branch ABC**”) and 中國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**”), 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 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**”) 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 report, 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 report, 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.





## DISCLOSURE OF ADDITIONAL INFORMATION

Shanghai Haocheng and Dihao Foodstuff have respectively applied to Minhang Shangyin Bank and Jiyin Rural Bank for extension of repayment of the above loans. Jiyin Rural Bank has verbally agreed to extend the due date of the Jiyin 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 report, 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 report, Shanghai Haocheng has made the first instalment payment to Minhang Shangyin Bank.

### IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

#### Subscription of new shares of the Company under the general mandate

As disclosed in page 19 of this report 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 19 of this report 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 report.

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>REVENUE</b>	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)
<b>(LOSS) PROFIT BEFORE TAX</b>	6	(117,503)	7,230
Income tax expenses	7	—	—
<b>(LOSS) PROFIT FOR THE PERIOD</b>		(117,503)	7,230
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
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)
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>		(100,379)	3,655
<b>(LOSS) PROFIT ATTRIBUTABLE TO:</b>			
Owners of the Company		(117,503)	7,230
Non-controlling interests		—	—
		(117,503)	7,230
<b>TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:</b>			
Owners of the Company		(100,612)	3,733
Non-controlling interests		233	(78)
		(100,379)	3,655
<b>(LOSS) EARNINGS PER SHARE</b>	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
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	562,246	611,280
Right-of-use assets		60,744	66,562
Intangible assets		1,704	1,704
		<b>624,694</b>	<b>679,546</b>
<b>CURRENT ASSETS</b>			
Inventories		55,935	65,612
Trade receivables	11	52,561	99,667
Prepayments, deposits and other receivables	12	20,239	48,750
Due from fellow subsidiaries	17(ii)	16,460	33,675
Cash and bank balances		5,531	7,827
		<b>150,726</b>	<b>255,531</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	75,193	113,804
Other payables and accruals	14	355,564	313,672
Lease liabilities		948	946
Interest-bearing bank and other borrowings		870,122	927,540
Tax payables		24,238	25,116
		<b>1,326,065</b>	<b>1,381,078</b>
<b>NET CURRENT LIABILITIES</b>		<b>(1,175,339)</b>	<b>(1,125,547)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(550,645)</b>	<b>(446,001)</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		692	1,123
Deferred income		23,424	25,476
Deferred tax liabilities		26,193	27,975
		<b>50,309</b>	<b>54,574</b>
<b>NET LIABILITIES</b>		<b>(600,954)</b>	<b>(500,575)</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	152,759	152,759
Reserves		(747,564)	(646,952)
<b>Deficit attributable to owners of the Company</b>		<b>(594,805)</b>	<b>(494,193)</b>
<b>Non-controlling interests</b>		<b>(6,149)</b>	<b>(6,382)</b>
<b>TOTAL DEFICIT</b>		<b>(600,954)</b>	<b>(500,575)</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total deficit HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2022	152,759	1,074,879	124,644	67,684	308,823	(2,222,982)	(494,193)	(6,382)	(500,575)
Loss for the period	-	-	-	-	-	(117,503)	(117,503)	-	(117,503)
Other comprehensive income for the period	-	-	-	-	16,891	-	16,891	233	17,124
Total comprehensive income (loss) for the period	-	-	-	-	16,891	(117,503)	(100,612)	233	(100,379)
At 30 June 2022 (unaudited)	152,759	1,074,879	124,644	67,684	325,714	(2,340,485)	(594,805)	(6,149)	(600,954)

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total deficit HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Properties revaluation reserve HK\$'000	Statutory reserve fund HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2021	152,759	1,074,879	97,156	67,684	315,609	(2,126,720)	(418,633)	(6,225)	(424,858)
Profit for the period	-	-	-	-	-	7,230	7,230	-	7,230
Other comprehensive loss for the period	-	-	-	-	(3,497)	-	(3,497)	(78)	(3,575)
Total comprehensive (loss) income for the period	-	-	-	-	(3,497)	7,230	3,733	(78)	3,655
At 30 June 2021 (unaudited)	152,759	1,074,879	97,156	67,684	312,112	(2,119,490)	(414,900)	(6,303)	(421,203)

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) Profit before tax	(117,503)	7,230
Adjustments for:		
Finance costs	36,779	41,599
Bank interest income	(9)	(38)
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)
Gain on debt restructuring	–	(128,279)
Gain on disposal of property, plant and equipment	–	(1)
Write-down (Reversal of write-down) of inventories, net	27	(420)
Reversal of impairment of trade receivables, net	(25)	(611)
Impairment of deposits paid for acquisition of property, plant and equipment	–	16
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	230	(1,538)
Changes in working capital:		
Inventories	7,512	239
Trade receivables	44,664	(14,154)
Prepayments, deposits and other receivables	19,759	(7,193)
Trade payables	(35,428)	(148,886)
Other payables and accruals	22,123	(63,823)
Cash generated from (used in) operations	11,435	(282,679)
Interest received	9	38
<b>Net cash generated from (used in) operating activities</b>	<b>11,444</b>	<b>(282,641)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(95)	(804)
Proceeds from disposal of property, plant and equipment	–	53
Compensation for the Dihao Resumption received	–	413,236
<b>Net cash (used in) generated from investing activities</b>	<b>(95)</b>	<b>412,485</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from new interest-bearing bank and other borrowings	–	82,530
Repayment of interest-bearing bank and other borrowings	(24,682)	(65,060)
Interest paid	(4,757)	(9,276)
Change of amounts due with fellow subsidiaries, net	15,978	(146,462)
<b>Net cash used in financing activities</b>	<b>(13,461)</b>	<b>(138,268)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,112)</b>	<b>(8,424)</b>
Cash and cash equivalents at beginning of period	7,827	21,281
Effect of foreign exchange rate changes, net	(184)	148
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY CASH AND BANK BALANCES</b>	<b>5,531</b>	<b>13,005</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 1. CORPORATE INFORMATION

The condensed consolidated financial statements of Global Sweeteners Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) were authorised for issue in accordance with a resolution of the board (the “**Board**”) of directors (the “**Directors**”) of the Company passed on 30 August 2022.

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<sup>th</sup> 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:

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

### 2.2 Going concern *(continued)*

#### (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 Transfer Loans**”) to China Cinda at a consideration of approximately RMB414.7 million. The ABC Transferred Loans include, among others, the fixed-term loan under a loan agreement entered into between 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 Nongan Branch ABC with principal amount of RMB180.0 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 Dihao Foodstuff 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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

### 2.2 Going concern *(continued)*

**(1) Active negotiations with banks and creditors for the debt restructuring plan of the Group to improve its financial position *(continued)***

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.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

### 2.2 Going concern *(continued)*

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

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 facilities in Jinzhou so as to bring in operating cash inflow to the Group in 2022. As at the date of this report, the Subscription is yet to complete.

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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

### 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.



# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 3. OPERATING SEGMENT INFORMATION *(continued)*

### (a) Segment results

Six months ended 30 June

	Corn refined products		Corn sweeteners		Total	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	–	754	154,972	355,645	154,972	356,399
<b>Segment results</b>	<b>(27,583)</b>	<b>(22,727)</b>	<b>(50,058)</b>	<b>(53,029)</b>	<b>(77,641)</b>	<b>(75,756)</b>
<i>Reconciliation:</i>						
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)
<b>(Loss) Profit before tax</b>					<b>(117,503)</b>	<b>7,230</b>
Income tax expenses					–	–
<b>(Loss) Profit for the Period</b>					<b>(117,503)</b>	<b>7,230</b>

### (b) Geographical information

Six months ended 30 June

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

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
<b>Revenue from contracts with customers within HKFRS 15</b>		
Sale of goods (a)	154,972	356,399
<b>Other income and gains</b>		
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
	<b>3,478</b>	<b>137,116</b>

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 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Interest on bank and other borrowings	36,772	32,031
Interest on trade payables	—	9,543
Interest on lease liabilities	7	25
	<b>36,779</b>	<b>41,599</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 6. (LOSS) PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	31,201	35,969
— Pension scheme contributions (a)	9,925	13,172
	<b>41,126</b>	49,141
Cost of inventories sold (b)	<b>143,781</b>	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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 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. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
At 1 January	611,280	622,975
Additions	95	1,588
Disposals	—	(488)
Depreciation	(31,342)	(61,179)
Gain on properties valuation	—	36,651
Exchange realignment	(17,787)	11,733
At 30 June/31 December	562,246	611,280

## 11. TRADE RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) 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.

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 11. TRADE RECEIVABLES *(continued)*

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) HK\$'000	31 December 2021 (Audited) 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
	<b>52,561</b>	<b>99,667</b>

## 12. 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 ("VAT") and other tax receivables	13,508	14,546
	<b>20,239</b>	<b>48,750</b>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 13. 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

## 14. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Payables for purchases of machinery	2,480	2,571
Customer deposits and receipts in advance	16,171	16,165
VAT and other duties payable	113,007	108,316
Accruals for employee benefits	61,682	42,965
Accrued expenses	52,574	61,199
Interest payables	109,650	82,456
	355,564	313,672

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 15. 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	<b>10,000,000</b>	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	<b>152,759</b>	152,759

## 16. CAPITAL COMMITMENTS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Contracted, but not provided for: Purchase or construction of property, plant and machinery	<b>4,280</b>	4,445

## 17. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions/balances with related parties during the Period and at the end of the reporting period:

### (i) Transactions with related parties

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Purchases from fellow subsidiaries		
– Corn starch and other raw materials (a)	<b>83</b>	1,799
Sales to fellow subsidiaries		
– Corn sweeteners (a)	–	(90)
Interest on trade payables to the Nongtou Group	–	9,543
Reimbursement of cost of utilities provided by a fellow subsidiary (a)	<b>177</b>	77
Rental to fellow subsidiaries (b)	<b>1,678</b>	2,289

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 17. RELATED PARTY TRANSACTIONS *(continued)*

### (i) Transactions with related parties *(continued)*

Remarks:

- (a) After the expiries of (i) the agreement entered into between the GBT Group as supplier and the Group as purchaser in relation to the purchase of corn starch and other raw materials such as enzymes by the Group from the GBT Group; (ii) the agreement entered into between the Group as seller and the GBT Group as purchaser in relation to the sale of corn sweeteners by the Group to the GBT Group; and (iii) the agreement entered into between the GBT Group as supplier and the Group as customer in relation to the supply of electricity, water and steam and the provision of wastewater treatment services by the GBT Group to the Group (collectively, the “**Master Agreements**”) on 31 December 2021, no transactions under the Master Agreements have been conducted. However, there have been insignificant amount of continuing connected transactions which are fully exempted from the shareholders’ approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules during the Period.
- (b) The Group leases certain land and premises from fellow subsidiaries. The rental expenses were charged based on lease agreements signed between the parties. The amount disclosed represents the lease payments made by crediting the current account with the fellow subsidiaries.

### (ii) Balances with fellow subsidiaries

Balances with fellow subsidiaries are unsecured, interest-free and have no fixed term of repayment. The balances approximate to their fair values.

### (iii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Short term employee benefits	298	298
Total compensation paid to key management personnel	298	298





# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

## 18. EVENTS AFTER THE REPORTING PERIOD

A summary of event transacted after end of reporting period is set out below:

### Subscription of shares

On 24 July 2022, the Company entered into the Subscription Agreement with Hartington Profits. Pursuant to the Subscription Agreement, Hartington Profits has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, 305,517,200 new ordinary shares at the subscription price of HK\$0.1 per Subscription Share. 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 approximately HK\$30,000,000 and the net price of each Subscription Share is estimated to be approximately HK\$0.098. The Group will utilise a portion of the proceeds from the Subscription for the repayment of bank and other borrowings/payables of the Group's PRC subsidiaries and procurement of corn and other operational expenses.

As at the date of this report, the Subscription has not yet been completed. Details of the Subscription are set out in the announcement of the Company dated 24 July 2022.