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

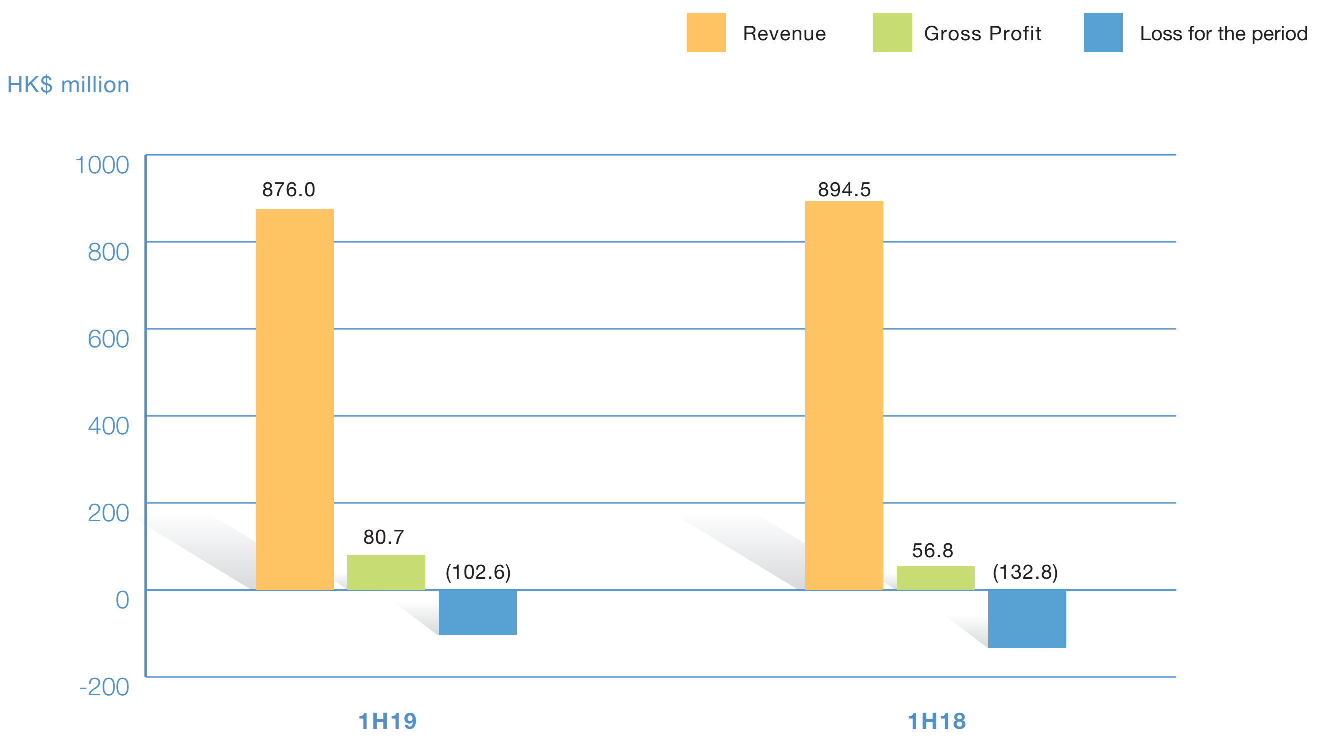
2019 INTERIM REPORT

* For identification purpose only

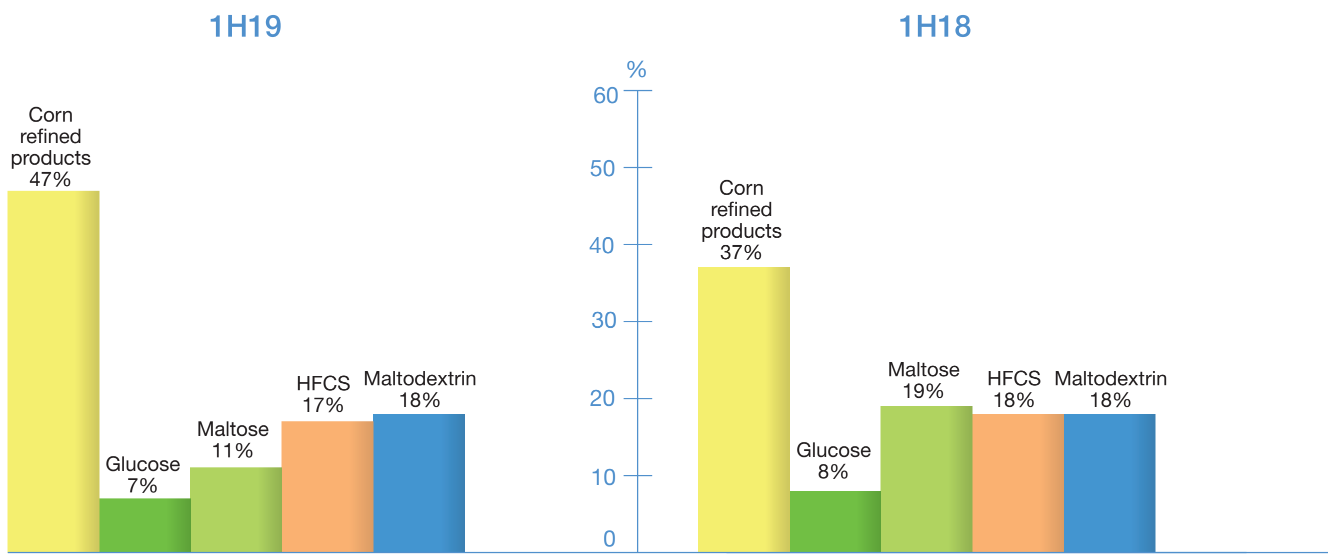
CONTENTS

FINANCIAL HIGHLIGHTS

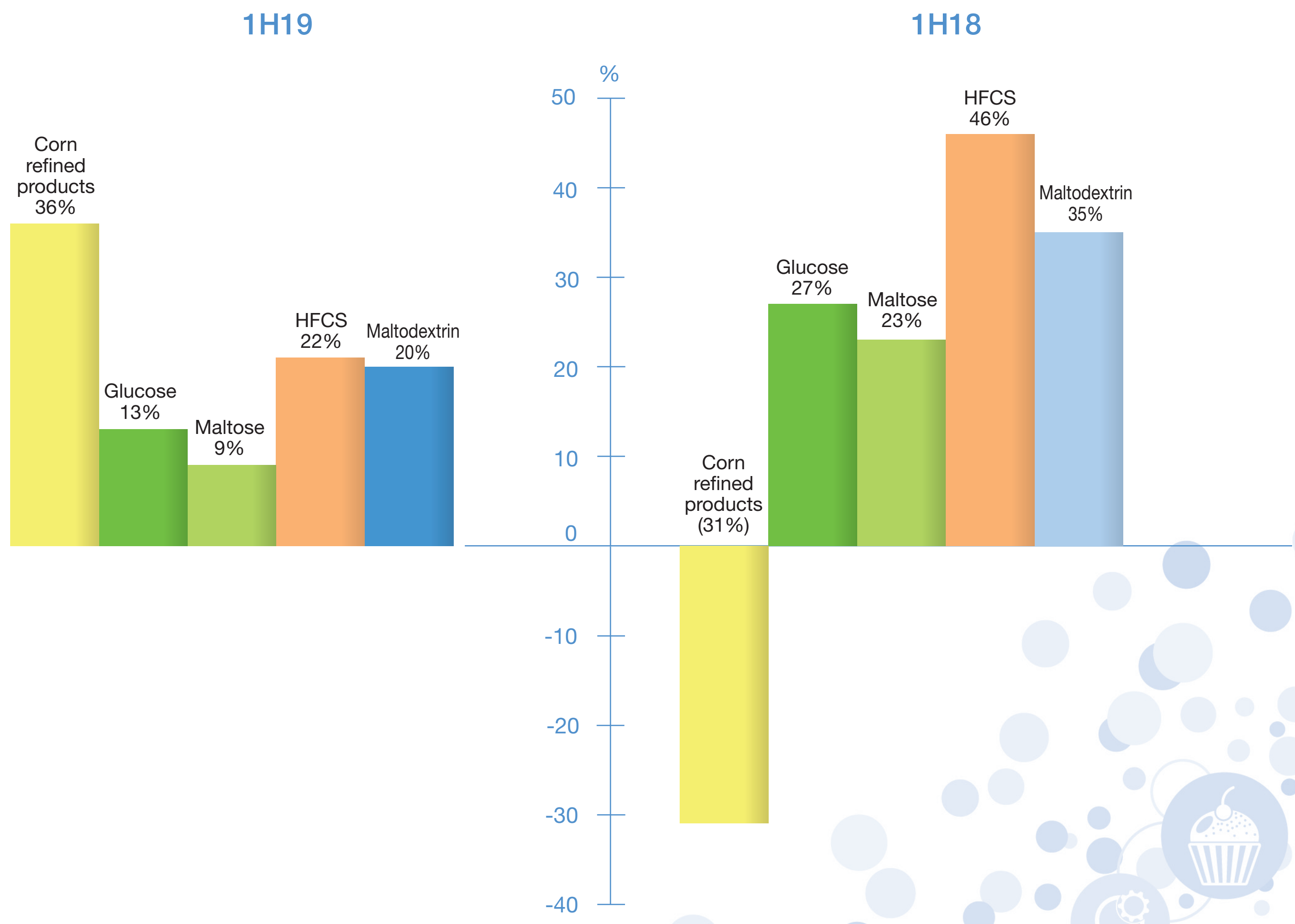
	Six months ended 30 June		
	2019 (Unaudited)	2018 (Unaudited)	Change %
Revenue (HK$'Mn)	**876.0**	894.5	(2.1%)
Gross profit (HK$'Mn)	**80.7**	56.8	42.1%
Loss before tax (HK$'Mn)	**(102.6)**	(132.0)	N/A
Loss for the period (HK$'Mn)	**(102.6)**	(132.8)	N/A
Basic loss per share (HK cents)	**(6.7)**	(8.7)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A



REVENUE DISTRIBUTION



GROSS PROFIT/(LOSS) DISTRIBUTION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Zhang Zihua *(Acting Chairman)*

Independent non-executive Directors

Mr. Fong Wai Ho
Mr. Lo Kwing Yu
Mr. Wang Wenquan *(Resigned on 28 June 2019)*
Mr. Wen Xia *(Appointed on 28 June 2019)*

COMPANY SECRETARY

Ms. Hui Ka Man, HKICPA *(Resigned on 28 June 2019)*
Mr. Chan Sing Fai, HKICS, HKICPA *(Appointed on 28 June 2019)*

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

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Kowloon
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

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
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WEBSITE

www.global-sweeteners.com

STOCK CODE

03889

Dear shareholders,

During the period under review, the sales volume of the sweeteners business dropped due to intensified market competition; the upstream other corn refined products segment also underperformed due to rising raw material price and the continued impact of the African Swine Flu. However, as new basis has been adopted by the local tax bureau in Jinzhou for the assessment of value-added tax for upstream products, leading to the decrease in cost of sales, the Group's upstream business returned to profitability during the Period. In addition, as a result of the Group's effort in strengthening control over procurement and production costs, the Group's operational efficiency improved and its net loss for the six months ended 30 June 2019 has been narrowed. The Group has also dedicated its continuous effort in exploring and facilitating the execution of any feasible proposals that could resolve its heavy debt burden, in order to improve its financial position and to get the Group's business back on track as soon as practical.

BUSINESS REVIEW

In the first half of 2019, the global economy experienced sluggish growth under the continued impact of the uncertainties over the China-US trade disputes and Brexit. China's GDP growth rate in the first half of the year was also down to 6.3%. With the continuous deepening of the supply side reform in the agriculture sector and the digestion of corn stockpiles in China in the past years, the market supply and demand for corn have been stabilised, which helped support corn price. In addition, since the Group was not entitled to any corn procurement subsidy during the Period, the Group's corn purchase price went up by 8.0%. The Group managed to secure its raw material supply through the corn procurement agreements signed with its ultimate controlling shareholder, Nongtou during the Period. As a result, both output and sales of the upstream products increased during the Period. Nevertheless, due to the reduced sales volume of sweeteners, the Group's consolidated revenue declined slightly year-on-year.

During the period under review, as new basis for the assessment of value-added tax had been adopted by Jinzhou City, Liaoning Province, the portion of value-added tax deductible for the upstream products increased as a result, leading to a decrease in the Group's cost of sales. This coupled with the improved operational efficiency in the upstream business segment had led the upstream business to resume profitability. Accordingly, the Group's overall gross profit increased by over 40%.

With respect to the downstream sweetener products, as a number of customers in Huadong area expanded upstream to secure their feedstocks to produce sweeteners in-house, demand for sweeteners shrunk which aggravated the oversupply situation. In addition, the environmental protection policy in Shanghai area continued to tighten, with more stringent requirements for enterprises' treatment of various pollutants. The production cost of corn sweetener products in the Group's Shanghai site had increased accordingly, which further squeezed the gross profit of downstream products. As a result, the gross profit margins of corn syrup and corn syrup solid dropped during the Period.

During the period under review, the Group adopted various measures to cut expenses and to effectively utilise resources, while reducing unit costs by optimising facility utilisation rate and production efficiency. In addition, the Group also attempted to streamline its operational structure and flexibly allocate resources to further enhance its efficiency.

The Group continued to discuss and finalise the debt restructuring proposal with creditor banks and other stakeholders during the period under review. The Group also explored a business restructuring plan, with an aim to seek strategic investors and to introduce new profit centres for business growth so as to lower the risk of over reliance on a single business. As the Group actively seeks to reduce its debt burden, we also realise the need for business restructuring is of equal importance. The Group should look for ways to perfect its business portfolio and set new development directions in order to get out of its predicament completely.

MESSAGE TO SHAREHOLDERS

OUTLOOK

The reduction in the overall corn plantation area in China in recent years, coupled with the recent outbreak of pest in various areas is expected to have an impact on the corn yield in the new harvest year. From demand perspective, although the ongoing outbreak of the African Swine Flu will reduce corn demand from the feed processing industry to a certain extent, corn-based ethanol will drive growth in corn demand, as China will support the development of gasohol. It is targeted that gasohol will be used in vehicles nationwide by 2020. From the long-term perspective, corn consumption will still sustain stable growth. According to the forecast by China National Grain & Oils Information Center, the country's corn consumption during the year 2019/2020 will reach 280 million metric tonnes. In view of the above, corn supply in the second half of 2019 is expected to be tight, with corn price expecting to rise further.

Factors such as reduced output in Brazil and Thailand and drought in India will drive down sugar output. On the other hand, market demand for biofuel such as ethanol is rising. It is expected that sugar price is likely to rebound at the end of this year, which will help narrow the gap between domestic and international sugar prices. In recent years, with the widespread use of sweeteners, many factories no longer regard sweetener as a substitute for sugar. However, sugar price fluctuation still serves as a reference point for the pricing of sweeteners.

Looking into the second half of the year, corn refined products will continue to be affected by the African Swine Flu. It is expected that both sales and selling price will be under pressure. Sweetener products is undergoing a market structural change. Bulk purchase customers in the Huadong area now tend to produce upstream feedstocks in-house, which will affect the demand for the Group's high-end products to a certain extent. The Group is committed to leveraging its sales network and brand influence in the Huadong area to step up efforts in market and new customers development, as well as extending its market reach to inland and southern areas. We will continue to develop high value-added products to attract new customers and expand business to new market space.

Under the auspices of our ultimate controlling shareholder, the principal lending banks of the Group have confirmed that during the transitional period before the finalisation of the debt-equity swap proposal, they would ensure the renewal of the Group's bank borrowings, and would allow interest payment to be settled annually instead of monthly so as to ensure the Group's financial position remains stable. We are also active in seeking new strategic investors that could fit in with the Group's overall business restructuring.

The Group's management would like to express their heartfelt thanks to shareholders and business partners for their continued understanding and trust. Now is the time for the Group to change and reform. Together with every staff who stand firm at their positions, we will strive to ensure the smooth running of the production facilities and maintain high operational efficiency to lay a solid foundation for the Group's development.

We feel the weight of the responsibilities and mission on our shoulders and they are deeply etched on our hearts, as much as that of our shareholders' and stakeholders' expectations for us. We will continue to fight with persistence and dedication to get the Group's business development back on track as soon as practical.

Acting Chairman
Zhang Zihua

27 August 2019

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 (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (maltodextrin).

BUSINESS REVIEW

The selling prices of the Group's products are affected by the prices of their raw materials (principally corn kernels and corn starch), the demand and supply of each of the products and their respective substitutes in the market and the variety of product specifications.

Economic growth in the People's Republic of China (the "PRC or "China") remained slow during the first half of 2019. China's GDP growth rate in the second quarter of 2019 dropped to its record low since 1992 at 6.2%. The trade tensions between China and the United States (the "US") continued to weigh on the economy during the six months ended 30 June 2019 (the "Period"). In addition, the outbreak of the African Swine Flu (the "ASF") across Asia since last year has added on the pressure to the husbandry and feed related industries. As a result, the performance of the Group's upstream other corn refined products for the Period was under pressure.

With respect to corn supply, according to the United States Department of Agriculture, global corn production for the year 2019/20 will drop to 1,105 million metric tonnes ("MT") (2018/19: 1,123 million MT) as a result of expected reduction in output in the US. Due to strong demand from the ethanol industry and unfavourable weather condition for corn plantation in the US, international corn price soared to 503 US cents per bushel (equivalent to RMB1,361 per MT) (end of June 2018: 358 US cents per bushel, equivalent to RMB932 per MT) by the end of the Period. In the PRC, notwithstanding the demand from the feed industry shrunk as a result of the outbreak of the ASF in China, demand from corn-based ethanol had helped to fuel the demand for corn and uphold the corn price in China during the Period. Consequently, domestic corn price increased slightly to approximately RMB1,800 per MT (end of June 2018: RMB1,727 per MT) by the end of June 2019. As stated in the annual report of the Company for the year ended 31 December 2018 (the "2018 Annual Report"), the ageing corn stock in the PRC will gradually be digested in 2019, corn supply and demand is expected to be back in balance. The performance of the corn refinery business will then be dependent on the control over the ASF in various Asian countries and the global economic environment including the development of the China-US trade tensions.

As for the sugar market, increased production in various major sugar producing countries during the 2018/19 harvest has kept the international sugar price low at 12.32 US cents per pound (equivalent to RMB1,871 per MT) (end of June 2018: 12.35 US cents per pound, equivalent to RMB1,808 per MT) by the end of June 2019. In the PRC, domestic sugar production remained at similar level at 10.6 million MT in the 2018/19 harvest (2017/18: 10.5 million MT), with domestic sugar price dropped to RMB5,390 per MT (end of June 2018: RMB5,580 per MT) by end of June 2019. The huge difference between international sugar price and domestic sugar price has increased the competitiveness of imported sugar. As such, the government has implemented a series of measures to narrow the gap between international and domestic sugar prices, including raising import tariff for sugar imports without quota. Although sugar price continues to influence the price of sweeteners to a certain extent, years of industry development has got customers accustomed to the user-friendliness of corn sweeteners. The substitution effect between sugar and sweeteners is no longer as prominent as it used to be. On the other hand, there had been changes in the end user market in the Huadong area in China during the Period. A number of users have opted for vertical integration and expanded upstream to secure their feedstocks to produce sweeteners in-house against fluctuations in raw material supply and/or cost. As a result, the sweeteners market has shrunk and sweeteners manufacturers are faced with more intense competition. As such, the performance of the Group's downstream sweetener products was under pressure during the Period due to reduced sales volume. The Group will continue to strengthen its market position leveraging on its brand name and further improve cost effectiveness through continuous research and development efforts to lower operating costs, at the same time optimise facilities utilisation rate to improve operational efficiency. In addition, the Group will also take the opportunity of the debt restructuring under the further revised debt-equity swap proposal ("Further Revised Debt-Equity Swap Proposal") as disclosed in the 2018 Annual Report to restructure the Group's business through the introduction of new businesses as well as strategic investors so as to lower its reliance on a single product market.

Due to weather condition and policy changes in various sugar producing countries, it is currently expected that global sugar production in the coming harvest may fall. Coupled with the increased demand from biofuel such as ethanol, sugar price may expect to rebound by end of 2019. This may help narrow the difference between the international and domestic sugar prices. On the other hand, the price of corn kernels in the PRC is affected by the direction of the state government agricultural policy from time to time as well as macro-economic environment in light of the uncertainties arising from, among others, the China-US trade tensions. Notwithstanding the changes in the upstream operating environment, the upstream operation serves as a feedstock of the Group's downstream production which has strategic value to the Group's operation. As such, in response to the ever-changing environment, the Group will closely monitor the market movements and optimise its production scale from time to time.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2018 had been subject to a disclaimer of opinion of the auditor of the Company in the independent auditor's report in the 2018 Annual Report. Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the 2018 Annual Report, the management of the Company wishes to provide the latest update on the remedial measures of the Company taken or to be taken as follows, which have been considered, recommended, and agreed by the audit committee of the Company (the "Audit Committee") after its critical review of the management's position for the Period:

1. Financial guarantee contracts

As detailed in the 2018 Annual Report, the financial guarantee contracts were not recognised in the Group's consolidated financial statements for the year ended 31 December 2018 because the Group was unable to obtain reliable financial information of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Porcurement Co., Ltd.) ("Dajincang") for the professional valuer to conduct an accurate valuation. During the Period, as the Company was still not able to obtain such information despite continuous enquiries and requests made to Dajincang. Consequently, the valuer was not able to conduct a valuation of the financial guarantee contracts for financial reporting purpose.

As disclosed in the joint announcement of the Company and Global Bio-chem Technology Group Company Limited ("GBT", and together with its subsidiaries, the "GBT Group") dated 6 November 2018 and the circular of the Company dated 3 December 2018, the terms of the previous supplier guarantee ("Previous Supplier Guarantee") had expired in December 2018 and Dajincang still did not have sufficient financial resources to repay the loan ("Previous Supplier Loan") when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantee, Dajincang proposed to refinance the Previous Supplier Loan by entering into new supplier loan agreements ("New Supplier Loan") with 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") for all the indebtedness due and owing to BOC with, among others, a new supplier guarantee ("Dihao New Supplier Guarantee") to be granted by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Limited) ("Dihao Foodstuff"), a subsidiary of the Company. As a condition to the New Supplier Loan, the Dihao New Supplier Guarantee was granted by Dihao Foodstuff to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The amount drawn down by Dajincang as at 30 June 2019 and up to the date of this report amounted to RMB2.49 billion (31 December 2018: RMB2.49 billion).

During the Period, the Group has continued to find solutions to release the Group from its obligations under the Dihao New Supplier Guarantee. As disclosed in the 2018 Annual Report, on behalf of the Group, Mr. Yuan Weisen, the chairman of GBT and the management of the Company met with the representatives of BOC regularly during 2018. The debt-equity swap proposal had also been discussed amongst BOC, the People's Government of Jilin Province, the relevant professional parties and the management of the Company on a regular basis. Subsequently, the Further Revised Debt-Equity Swap Proposal was submitted by the Group and the GBT Group to the Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group, the introduction of strategic investor(s) in order to strengthen the capital of the Group and other alternatives to resolve the audit modification in respect of the Dihao New Supplier Guarantee, such as the option to include the indebtedness of Dajincang in the debt-equity swap proposal. The Further Revised Debt-Equity Swap Proposal has been passed on to the headquarters of the Bank of China by the Bank of China Jilin Province Branch, and further submitted to the People's Government of Jilin Province in August 2018 for their consideration. During the Period, the discussion has been on-going. For further details of the progress of the Further Revised Debt-Equity Swap Proposal, please refer to point (1) in note 2.2 to the interim condensed consolidated financial statements of the Group for the Period.

2. Material uncertainty relating to going concern

With respect to the material uncertainty relating to the Group's ability to continue as a going concern, the board (the "Board") of directors (the "Directors") has expressed its views and outlined the steps that have been taken by the management to improve the Group's financial position in note 2.2 to the interim condensed consolidated financial statements of the Group for the Period.

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2.2 to the interim condensed consolidated financial statements, the Board, including the Audit Committee, is of the view that the Group has sufficient working capital for at least 12 months from the date of this report, and that the relevant disclaimer opinion may not appear in the final results for the year ending 31 December 2019. In addition, in relation to financial support from the indirect major shareholder, the Group and the GBT Group had received a renewed written confirmation dated 30 June 2019 from 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.) ("Nongtou", together with its subsidiaries, the "Nongtou Group") in which Nongtou has reassured that it will continue to support the Group and the GBT Group on a going concern basis using its resources and connections including financial support through loans and borrowings and operation support including supplying corn kernels to the Group and the GBT Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the Period, due to keen competition of the sweeteners market, the sales volume of the Group's downstream sweeteners segment dropped by approximately 19.8% to 150,000 MT (2018: 187,000 MT). On the other hand, a stable supply of corn kernels through the connections of Nongtou has improved the manufacture and sale of upstream products. The combined effect has led to a slight decrease in the Group's consolidated revenue by approximately 2.1% to approximately HK$876.0 million (2018: HK$894.5 million) during the Period.

As mentioned in the 2018 Annual Report, the ageing corn stock in China was expected to be gradually digested in 2019. On the other hand, corn-based ethanol continued to fuel the demand for corn kernels and support the market price of corn kernels during the Period, despite the drop in demand from the feed industry as a result of the ASF. Coupled with the changes in the agricultural subsidy policy of the provincial governments in which no corn procurement subsidy was entitled to the Group for the Period (2018: HK$1.0 million), the Group's purchase price of corn kernels increased by approximately 8.0% during the Period. Nevertheless, as new basis for the assessment of value-added tax ("VAT") for the upstream corn refined products has been adopted by the local tax bureau in Jinzhou, Liaoning Province, the PRC since August 2018, the VAT deduction available for each MT of upstream products increased consequently. As a result, the consolidated cost of sales of the Group dropped by 5.1% contributing to an increase in the Group's gross profit for the Period by approximately 42.1% to approximately HK$80.7 million (2018: HK$56.8 million) with gross profit margin increased by approximately 2.9 percentage point to approximately 9.2% (2018: 6.3%).

Despite the Group's continuous effort in controlling cost and optimising operation scale, finance costs have weighed on the overall performance of the Group. As a result, the Group recorded net loss and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$102.6 million (2018: HK$132.8 million) and approximately HK$21.6 million (2018: HK$53.8 million) respectively for the Period.

Upstream products

(Sales amount: HK$410.4 million (2018: HK$331.8 million))
(Gross profit: HK$29.2 million (2018: Gross loss: HK$17.8 million))

With respect to the Group's corn refinery business, the improvement in operational efficiency in Jinzhou site for the Period has increased the sales volume of corn starch and other corn refined products to approximately 106,000 MT (2018: 79,000 MT) and 62,000 MT (2018: 55,000 MT), respectively, as well as their revenue to approximately HK$286.2 million (2018: HK$210.5 million) and HK$124.2 million (2018: HK$121.3 million), respectively. Internal consumption of corn starch was approximately 32,000 MT (2018: 81,000 MT), which was mainly used as the raw material for production in the Group's production sites in Jinzhou and Shanghai.

As new basis for the assessment of VAT for the upstream corn refined products has been adopted by the local tax bureau in Jinzhou since August 2018, the VAT deduction available for each MT of upstream products increased consequently. The Group's average cost of sales of corn starch and other corn refined products dropped by approximately 9.8% and approximately 16.1% respectively. However, as the average selling price of corn starch increased slightly by 1.4% while the average selling price of other corn refined products dropped by approximately 8.2%, the corn starch segment recorded a gross profit of approximately HK$48.0 million (2018: HK$13.7 million) with gross profit margin of approximately 16.8% (2018: 6.5%); while the other corn refined products segment recorded a gross loss of HK$18.8 million (2018: HK$31.5 million) with gross loss margin of approximately 15.1% (2018: 25.9%).

The Group had been the sole distributor of the GBT Group for the sales and marketing of their upstream corn refined products in the Huadong region in the PRC since 2016. As the distribution agreement expired on 31 December 2018, no revenue (2018: Nil) for the trading of upstream products was recorded during the Period.

Corn syrup

(Sales amount: HK$304.6 million (2018: HK$401.7 million))
(Gross profit: HK$35.5 million (2018: HK$55.0 million))

During the Period, the revenue and gross profit of the corn syrup segment decreased by approximately 24.2% and 35.5%, respectively, to approximately HK$304.6 million (2018: HK$401.7 million) and approximately HK$35.5 million (2018: HK$55.0 million) respectively. Such decreases were mainly attributable to the decline in sales volume by approximately 26.5% to approximately 97,000 MT (2018: 132,000 MT) as a result of keen competition in the market. In addition, as cost of corn starch increased significantly during the Period, coupled with low utilisation rate as a result of reduced output which drove up the unit production cost, the gross profit margin of the corn syrup segment decreased to approximately 11.7% (2018: 13.7%) during the Period.

Corn syrup solid

(Sales amount: HK$161.0 million (2018: HK$160.5 million))
(Gross profit: HK$16.0 million (2018: HK$19.6 million))

During the Period, the revenue of maltodextrin amounted to approximately HK$161.0 million (2018: HK$160.5 million). Although there was approximately 3.0% increase in selling price, as the average cost of sale increased by approximately 5.6% with sales volume maintained at similar level at approximately 53,000 MT (2018: 55,000 MT), gross profit of the corn syrup solid segment dropped by approximately 18.4% to approximately HK$16.0 million (2018: HK$19.6 million). As a result, the gross profit margin of the corn syrup solid segment declined to approximately 9.9% (2018: 12.2%).

Trading

(Sales amount: Nil (2018: HK$0.5 million))
(Gross profit: Nil (2018: Nil))

The Group had been the sole distributor of the GBT Group for the marketing and selling of their lysine, corn starch and other corn refined products in the Huadong region in the PRC since 2016. Results of trading of corn starch and other corn refined products are included in the financial results of upstream products. Results of the trading segment include only those of amino acids.

As the distribution agreement expired on 31 December 2018, no revenue (2018: HK$0.5 million) for the trading of amino acids was recorded during the Period.

Export sales

During the Period, the Group exported approximately 18,000 MT (2018: 18,000 MT) of upstream corn refined products and approximately 8,000 MT (2018: 9,000 MT) of corn sweeteners; their export sales amounted to approximately HK$35.1 million (2018: HK$41.6 million) and approximately HK$30.5 million (2018: HK$26.8 million), respectively, together representing approximately 7.5% (2018: 7.7%) of the Group's total revenue.

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

Other income and gains

During the Period, other income and gains of the Group decreased by approximately 24.8% to approximately HK$9.4 million (2018: HK$12.5 million). Such decrease was mainly attributable to the decrease of reversal of impairment of trade and bills receivables during the Period.

Selling and distribution costs

During the Period, the selling and distribution costs dropped by 13.7% to approximately HK$77.1 million (2018: HK$89.3 million), accounting for approximately 8.8% (2018: 10.0%) of the Group's revenue. Such decrease was mainly attributable to the decrease in transportation and packaging cost as a result of the decline in sales volume of downstream products during the Period.

Administrative expenses

During the Period, administrative expenses remained at similar level at approximately HK$54.6 million (2018: HK$57.2 million), representing approximately 6.2% (2018: 6.4%) of the Group's revenue.

Other expenses

Other expenses of the Group increased to approximately HK$23.8 million (2018: HK$20.7 million) during the Period. Such increase was mainly attributable to the impairment of prepayments, deposits and other receivables which amounted to approximately HK$1.6 million, as compared to reversal of impairment of prepayments, deposits and other receivables of HK$0.3 million for the corresponding period last year.

Finance costs

During the Period, finance costs of the Group increased to approximately HK$37.3 million (2018: HK$34.1 million) as a result of the increase in interest on trade payables, which amounted to approximately HK$8.7 million (2018: HK$5.1 million).

Income tax expenses

As all the subsidiaries of the Group recorded tax losses during the Period, which were not subject to the Hong Kong profit tax and the PRC enterprise income tax, no income tax expenses (2018: HK$0.8 million) was provided for the Period.

Net loss attributable to shareholders

Notwithstanding the slight decline in the Group's revenue during the Period, with improved gross profit, the Group's net loss for the Period reduced to approximately HK$102.6 million (2018: HK$132.8 million).

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest-bearing bank borrowings and net borrowing position

The total interest-bearing bank borrowings as at 30 June 2019 remained at similar level at approximately HK$1,007.4 million (31 December 2018: HK$1,009.3 million), while cash and bank balances and pledged bank deposits as at 30 June 2019 decreased by HK$15.8 million to approximately HK$83.8 million (31 December 2018: HK$99.6 million). As such, the net borrowings increased to approximately HK$923.6 million (31 December 2018: HK$909.7 million).

As at 30 June 2019, the Group's interest-bearing bank borrowings amounted to approximately HK$1,007.4 million (31 December 2018: HK$1,009.3 million), all of which (31 December 2018: 100.0%) were denominated in Renminbi. The average interest rate during the Period decreased to approximately 5.5% per annum (2018: 7.0% per annum). The percentage of interest-bearing bank borrowings wholly repayable within one year and in the second to the fifth years were approximately 61.8% and 38.2% (31 December 2018: 81.9% and 18.1%), respectively. As at 30 June 2019, interest-bearing bank borrowings amounted to approximately HK$253.4 million have been charged at fixed interest rates of approximately 7.0% to 8.0% for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank borrowings are charged with reference to floating interest rate.

Considering the management's continuous efforts in monitoring the cash flow of the Group and in maintaining good relationships with banks, the Group has been able to renew the existing banking facilities during the Period.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. Although the Group's revenue slightly decreased by approximately 2.1% to approximately HK$876.0 million for the Period (2018: HK$894.5 million), the Group had maintained a stringent credit control and therefore, the trade receivables turnover days dropped to 28 days (31 December 2018: 38 days).

During the Period, trade payables turnover days increased to approximately 108 days (31 December 2018: 93 days) as better credit terms were offered to the Group from the several subsidiaries of Nongtou.

As at 30 June 2019, the Group's inventory level increased by approximately 21.9% to approximately HK$310.8 million (31 December 2018: HK$255.0 million) as a result of increased inventory in the Jinzhou site. Consequently, the inventory turnover days increased to approximately 71 days for the Period (31 December 2018: 53 days).

As at 30 June 2019, the current ratio and quick ratio remained at approximately 0.4 (31 December 2018: 0.4) and 0.2 (31 December 2018: 0.2) respectively. Gearing ratio in terms of debts (i.e. total interest-bearing bank borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank borrowings) was approximately 169.8% (31 December 2018: 145.0%).

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for approximately 7.5% (2018: 7.7%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in the future as and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

In the short run, the Group will consolidate its resources towards the development of the Shanghai production site, leveraging on the synergistic effect with the Jinzhou production site for the supply of raw materials to serve the respective markets.

In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products.

With respect to the financial position of the Group, the management will endeavour to overcome the challenges and adopt a prudent approach in face of the current market condition.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2019, the Group has approximately 1,100 (31 December 2018: 1,100) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasingly turbulent environment. The Group places great emphasis in the selection and recruitment of new staff, on-the-job training, appraisal and rewards to its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain 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.

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board has resolved not to recommend any payment of interim dividend in respect of the Period (six months ended 30 June 2018: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, none of the Directors and chief executives of the Company had any interests or short position in the shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) that was required to be recorded pursuant to 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 on the Stock Exchange (the "Listing Rules") (the "Model Code").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Period were rights to acquire 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 2019, so far as is known to the Directors, the following persons (other than a Director or chief executives 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** (Note 1)	**Percentage of Company's issued share capital** (Note 2)
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 shares (L)	64.01
GBT	Interest of a controlled corporation (Note 3)	977,778,000 shares (L)	64.01
	Beneficial owner	500,000 shares (L)	0.03
Modern Agricultural Industry Investment Limited	Interest of a controlled corporation (Note 4)	978,278,000 shares (L)	64.04

Notes:

1. The letter "L" denotes the person's interest in the share capital of the Company.

2. On the basis of 1,527,586,000 Shares in issue as at 30 June 2019.

3. 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.

4. These Shares are registered in the name of or deemed to be interested by GBT, which is owned as to approximately 49.0% by Modern Agricultural Industry Investment Limited ("Modern Agricultural"). 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 吉林省現代農業產業投資基金（有限合夥） (Jilin Province Modern Agricultural Industry Investment Fund (LLP)) ("PRC LLP"). The sole general partner of PRC LLP is 吉林省現代農業產業基金有限公司 (Jilin Province Modern Agricultural Industry Fund Limited) ("GP"). As at 30 June 2019, 20.0% of the investment capital of PRC LLP is owned by Nongtou and the transfer of a further 40.0% of the investment capital of PRC LLP to Nongtou from a company controlled by 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou") is pending for completion. As announced by the Company on 2 March 2017, during the transition period before the completion, such 40.0% of the investment capital of PRC LLP shall be managed by Nongtou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of GBT. Nongtou is controlled by 吉林省人民政府國有資產監督管理委員會 (State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province) ("Jilin SASAC"). Each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Jiaotou, Nongtou and Jilin SASAC are deemed to be interested in the interest held by GBT.

Saved as disclosed above, no person, as of 30 June 2019, 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.

PURCHASES, 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 CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company is committed to ensuring a high standard of corporate governance for the interests of its shareholders and devotes considerable effort in identifying and formalising best practices.

In the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the Period.

The roles of the chairman and chief executive officer of the Company are separate and exercised by different persons. As at the date of this report, Mr. Zhang Zihua is the acting chairman of the Company and is mainly responsible for providing leadership and directions to the Board. On 1 October 2018, Mr. Wang Jian resigned as the chief executive officer of the Company and no replacement has yet been made after his resignation. As of the date of this report, Mr. Wang Guicheng has been appointed as the chief operating officer and is responsible for overseeing the operation management and product development of the Group.

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. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the Period.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee comprises three independent non-executive Directors namely Mr. Fong Wai Ho (the chairman of the committee), Mr. Lo Kwing Yu and Mr. Wen Xia.

The Audit Committee meets regularly with the Company's senior management and the Company's auditor to review the Company's financial reporting process, the effectiveness of internal controls, audit process and risk management.

The interim results of the Group for the Period have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

In compliance with the CG Code, the Company established its nomination committee (the "Nomination Committee") on 1 April 2012 with a majority of the members thereof being independent non-executive Directors. The Nomination Committee comprises an executive Director, Mr. Zhang Zihua, and two independent non-executive Directors, being Mr. Lo Kwing Yu and Mr. Wen Xia. Mr. Zhang Zihua is the chairman of the Nomination Committee. The duties of the Nomination Committee are, among others, determining policy for the nomination of directors, including the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year. The Nomination Committee also reviews the structure, size and composition of the Board and to make 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 of the Company (the "Remuneration Committee") consist of an executive Director, Mr. Zhang Zihua, and two independent non-executive Directors, being Mr. Lo Kwing Yu and Mr. Wen Xia. Mr. Wen Xia is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, as well as on the Group's policy and structure for the remuneration of Directors and senior management. The Remuneration Committee also assesses performance of executive Director and approves the terms of executive Director's service contract.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") was established in accordance with the requirements of the CG Code for the purposes of 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 and Mr. Wen Xia. The chairman of the Corporate Governance Committee is Mr. Fong Wai Ho.

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.

DISCLOSURE OF ADDITIONAL INFORMATION

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The continuing connected transactions executive committee of the Company (the "CCT Executive Committee") 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 submitting the same to the CCT supervisory committee of the Company (the "CCT Supervisory Committee") on regular basis. The members of the CCT Executive Committee are Mr. Meng Xiangyan and Mr. Wen Gang, both being senior management of the Group.

CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee that comprises all 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 shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules (the "Non-exempt CCT"), will be entered into in accordance with the respective agreements (the "New Master Agreements") entered into between the Group and the GBT Group, 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 submitted by the CCT Executive Committee in relation to purchase of corn starch and other raw materials from the GBT Group and the sale of corn sweeteners to the GBT Group (the "Proposed Purchase and Sale") as to whether they have been proceeded with in accordance with the Prescribed Guidelines (the "CCT Quarterly Reports");

(3) in respect of the provision of utility services (the "Utility Services") by the GBT Group to the Group, 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; 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 as a whole.

The principal terms of the prevailing Prescribed Guidelines are set out below:

(1) the Group shall not purchase corn starch and other raw materials from the GBT Group, obtain the Utility Services from the GBT Group or sale of corn sweeteners to GBT Group, unless the GBT Group shall agree that the purchase prices, selling prices, fees payable and other commercial terms for these transactions shall be determined in the manner as prescribed under the Prescribed Guidelines;

(2) in order to ascertain the prevailing market rates of corn starch in the form of starch slurry or powder and other raw materials from time to time and to ensure that the terms offered by the GBT Group to the Group are on normal commercial terms, pursuant to the Prescribed Guidelines, the CCT Executive Committee would obtain market selling prices of corn starch and other raw materials according to the following procedures:

    (i) the CCT Executive Committee will obtain quotation from at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) independent supplier(s) and compare it with the terms offered by the GBT Group for supply of corn starch and other raw materials of comparable quantities and specifications to its independent customers;

(ii) the total purchase price and terms for the purchase of corn starch in the form of corn starch slurry shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its independent customers, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its independent customers for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such independent supplier(s) for the relevant month up to the price determination date;

(iii) the total purchase price and terms for the purchase of corn starch in the form of corn starch powder shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its independent customers for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such independent supplier(s) for the relevant month up to the price determination date; and

(iv) the total purchase price and terms for the purchase of other raw materials shall be determined by using the lower of (i) (if available) the average unit purchase price of other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) from such independent supplier(s) for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of the other raw materials of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase the products from such independent supplier(s) for the relevant month up to the price determination date.

(3) in respect of the sale of corn sweeteners to GBT Group by the Group:

(i) the total selling price and terms for the sale of corn sweeteners shall be determined by using the average unit selling price of corn sweeteners of comparable specifications and quantities to such independent customers(s) for the five business date up to the price determination date.

(4) the CCT Executive Committee shall submit to the CCT Supervisory Committee a quarterly report within 15 days from the end of each quarter in relation to the Proposed Purchase and Sale during the quarter;

(5) in the event that there is any deviation from the terms of the relevant New Master Agreements and/or any non-compliance with the Prescribed Guidelines in respect of any Non-exempt CCT entered into by any member of the Group during the period covered by the quarterly report, the CCT Supervisory Committee may request the Group to take such procedures (including price adjustments) as the CCT Supervisory Committee may consider appropriate to rectify such deviation or non-compliance; and

(6) the auditor of the Company will be engaged to review the Non-exempt CCT on a quarterly basis, and shall report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.56 of the Listing Rules.

Details of findings of CCT Supervisory Committee for the Period have been published on 30 May 2019 and 22 August 2019. As reported by the CCT Supervisory Committee, (i) the Proposed Purchase and Sale conducted during the Period were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services during the Period have been charged in accordance with the relevant New Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2018 Annual Report, in relation to among others, the suspension and relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

The relocation plan of the Group will be financed by the Group's internal resources, and the management of the Company is of the view that the existing technology know-how of the Group is sufficient for the relocation of the production facilities.

The relocation of the 60,000 metric tonnes per annum ("mtpa") glucose/maltose production facilities and the 30,000 mtpa maltodextrin production facilities were completed in April 2017 and January 2018 respectively. In respect of the other relocation projects, in view of changes in the operating environment, the Group is in the process of reviewing the relocation projects and revising the feasibility studies for submission to among others, the relevant government parties for approval. As such, the expected time for the relocation of production facilities is revised as follows:

Products of the Group to which the production facilities relate	**Production capacity of the relevant production facilities to be relocated** *(mtpa)*	**Expected time for the relocation of production facilities**
Crystallised glucose*	100,000	September 2019 — September 2020
Corn refinery*	600,000	Pending the availability of capital and favourable market condition

* The time frame of the projects are subject to the final decision of the management taking into account the relevant product markets and the obtaining of the approval from among others, the relevant government bodies on the feasibility studies. The timetable may thus change accordingly of which the Group shall update its investors from time to time.

IMPORTANT TRANSACTIONS DURING THE PERIOD AND EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

Termination of transaction in relation to the transfer of two subsidiaries in Changchun from the Group to GBT Group

Reference is made to the joint announcements of the Company and GBT dated 21 July 2017, 16 January 2018, 16 July 2018 and 31 December 2018 in relation to the transfer of two subsidiaries in Changchun from the Group to the GBT Group (the "Transaction") and the joint announcement of the Company and GBT dated 12 March 2019, in relation to the termination of the Transaction. The relevant member of the Group was advised by the relevant bank that the final approval would only be given subject to certain conditions which were considered and not accepted by the relevant member of the Group. While no consensus for alternative solution can be reached between the relevant member of the Group and the relevant bank, both the Group and the GBT Group have been actively negotiating with their lending banks for the restructuring of the debts of their member companies in Changchun, the PRC, including the debt-equity swap proposal.

Since the restructuring of debt involves a number of banks in the PRC, the parties consider it more appropriate to keep the current corporate structure as is in order to facilitate the negotiation and approval process.

Therefore, in view of the above, the Vendors and the Purchaser have mutually agreed to terminate the S&P Agreement, and neither party shall have any claim against each other under the S&P Agreement.

New Master Agreements with GBT Group

On 8 January 2019, the Company proposed to enter into the New Master Agreements for certain continuing connected transactions with GBT Group. GBT is a controlling shareholder of the Company, therefore, the transactions contemplated under the New Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the proposed annual caps for the transactions contemplated under each of the New Master Agreements for each of the three years ending 31 December 2021 are more than 5% of each of the applicable percentage ratios under the Listing Rules, therefore the New Master Agreements and the proposed annual caps are subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The relevant announcement and circular of aforesaid were published on the website of the Stock Exchange and the Company on 8 January 2019 and 4 February 2019, respectively.

An extraordinary general meeting was convened for the independent shareholders to approve, amongst others, the New Master Agreements and the related annual caps on 28 February 2019 and all ordinary resolutions proposed were passed by way of poll.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

Reference is made to the joint announcement of the Company and GBT dated 21 September 2018. Under a loan agreement (the "Loan Agreement") entered into between 錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.) ("Jinzhou Dacheng"), which is an indirect wholly owned subsidiary of the Company, and 中國銀行股份有限公司錦州港支行 (Bank of China Jinzhou Port Branch) (the "Lender") in respect of a twelve month fixed term loan due in December 2018 (the "Loan"), Jinzhou Dacheng is required to, among others, satisfy a financial covenant as to the debt-to-assets ratio, failure to comply with such financial covenant entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. The Loan is guaranteed by the Company and certain members of the Group have also provided guarantees and securities to secure the Loan.

Based on the unaudited management accounts of Jinzhou Dacheng for the eight months ended 31 August 2018, Jinzhou Dacheng has failed to fulfill certain financial covenants under the Loan Agreement. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable. In addition, such breach may also trigger the cross default provisions in other loan agreements entered into by the Group.

On 18 December 2018, Jinzhou Dacheng signed a renewal agreement to renew the Loan Agreement pursuant to which the due date of the Loan has been extended to December 2019 and based on the unaudited management accounts of Jinzhou Dacheng for the six months ended 30 June 2019, certain financial covenant under the Loan Agreement has yet to be fulfilled. As at the date of this report, the outstanding principal amount under the Loan Agreement is RMB20.0 million and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement. The breach of the Loan Agreement may trigger cross default provisions ("Cross Default") in other loan agreements entered into by the Group in the aggregate outstanding principal amount of approximately RMB452.9 million. Save for the Cross Default, the breach has not resulted in any triggering of cross default provisions of other loan agreements and/or banking facilities entered into by the Group or the GBT Group. The Group is in the process of applying for the relevant waivers from the lenders in relation to the Cross Default. Despite the above non-compliance, the Group has been able to obtain financing with its banks for its working capital during the Period. Further announcement(s) will be made by the Company and GBT to update the status of the waivers as and when appropriate.

DISCLOSURE OF ADDITIONAL INFORMATION

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to Dajincang

As announced by the Company on 31 March 2015, financial guarantees were first granted by certain subsidiaries of the Company and GBT in respect of the indebtedness of Dajincang due to BOC between November 2010 to March 2015.

As disclosed in the joint announcement of the Company and GBT dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the Previous Supplier Loan expired in December 2018 and Dajincang still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for the New Supplier Loan. New supplier guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by Dihao Foodstuff and other members of the GBT Group to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The maximum principal amount guaranteed under the Dihao New Supplier Guarantee is RMB2.5 billion. Since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under rule 13.13 of the Listing Rules and to comply with rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under rule 13.20 of the Listing Rules to disclose the Dihao New Supplier Guarantee in its interim and annual reports during the relevant periods when the Dihao New Supplier Guarantee is in effect.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
REVENUE	4	876,003	894,474
Cost of sales		(795,256)	(837,707)
Gross profit		80,747	56,767
Other income and gains	4	9,386	12,548
Selling and distribution costs		(77,066)	(89,310)
Administrative expenses		(54,571)	(57,242)
Other expenses		(23,793)	(20,727)
Finance costs	5	(37,337)	(34,078)
LOSS BEFORE TAX	6	(102,634)	(132,042)
Income tax expenses	7	–	(786)
LOSS FOR THE PERIOD		(102,634)	(132,828)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		2,079	7,580
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(100,555)	(125,248)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(102,634)	(132,828)
Non-controlling interests		–	–
		(102,634)	(132,828)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:			
Owners of the Company		(100,555)	(125,326)
Non-controlling interests		–	78
		(100,555)	(125,248)
LOSS PER SHARE	8		
Basic		HK(6.7) cents	HK(8.7) cents
Diluted		HK(6.7) cents	HK(8.7) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	770,995	798,859
Prepaid land lease payments		—	130,650
Right-of-use assets		140,935	—
Deposits paid for acquisition of property, plant and equipment		1,148	5,254
Goodwill		—	—
Other intangible assets		1,704	1,704
		914,782	936,467
CURRENT ASSETS			
Inventories		310,846	255,041
Trade and bills receivables	11	135,854	204,724
Prepayments, deposits and other receivables	12	116,733	76,482
Pledged bank deposits		57,581	79,433
Cash and bank balances		26,193	20,120
		647,207	635,800
CURRENT LIABILITIES			
Trade and bills payables	13	474,896	446,957
Other payables and accruals		272,513	241,582
Interest-bearing bank borrowings		622,159	826,378
Lease liabilities		5,603	—
Due to fellow subsidiaries	17(c)	151,430	120,577
Tax payables		23,144	24,324
		1,549,745	1,659,818
NET CURRENT LIABILITIES		(902,538)	(1,024,018)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,244	(87,551)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		385,227	182,954
Lease liabilities		912	—
Deferred income		29,307	31,955
Deferred tax liabilities		10,759	10,759
		426,205	225,668
NET LIABILITIES		(413,961)	(313,219)
CAPITAL AND RESERVES			
Share capital	14	152,759	152,759
Reserves		(560,789)	(460,047)
Deficit attributable to owners of the Company		(408,030)	(307,288)
Non-controlling interests		(5,931)	(5,931)
TOTAL DEFICIT		(413,961)	(313,219)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Statutory reserve fund *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total deficit *HK$'000*
At 31 December 2018 as previously reported	152,759	1,074,879	65,173	67,820	315,354	(1,983,273)	(307,288)	(5,931)	(313,219)
Changes in accounting policy on adopting HKFRS16 (note 2.3)	–	–	–	–	–	(187)	(187)	–	(187)
At 1 January 2019, as restated	152,759	1,074,879	65,173	67,820	315,354	(1,983,460)	(307,475)	(5,931)	(313,406)
Loss for the period	–	–	–	–	–	(102,634)	(102,634)	–	(102,634)
Other comprehensive income for the period	–	–	–	–	2,079	–	2,079	–	2,079
Total comprehensive income (loss) for the period	–	–	–	–	2,079	(102,634)	(100,555)	–	(100,555)
At 30 June 2019 (unaudited)	152,759	1,074,879	65,173	67,820	317,433	(2,086,094)	(408,030)	(5,931)	(413,961)

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Statutory reserve fund *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total deficit *HK$'000*
At 31 December 2017 and 1 January 2018	152,759	1,074,879	65,173	67,246	297,476	(1,774,203)	(116,670)	(6,303)	(122,973)
Loss for the period	–	–	–	–	–	(132,828)	(132,828)	–	(132,828)
Other comprehensive income for the period	–	–	–	–	7,502	–	7,502	78	7,580
Total comprehensive income (loss) for the period	–	–	–	–	7,502	(132,828)	(125,326)	78	(125,248)
At 30 June 2018 (unaudited)	152,759	1,074,879	65,173	67,246	304,978	(1,907,031)	(241,996)	(6,225)	(248,221)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(102,634)	(132,042)
Adjustments for:			
Finance costs	5	37,337	34,078
Bank interest income	4	(341)	(769)
Depreciation of property, plant and equipment	6	37,524	40,319
Depreciation of right-of-use assets	6	6,145	—
Amortisation of prepaid land lease payments	6	—	3,804
Amortisation of deferred income	6	(2,709)	(99)
Loss on disposal of property, plant and equipment, net	6	17	44
Write-down of inventories, net	6	7,091	1,827
Reversal of impairment of trade and bills receivables, net	6	(861)	(8,614)
Impairment (Reversal of impairment) of prepayment, deposits and other receivables, net	6	1,631	(335)
Changes in working capital:			
Inventories		(62,896)	(43,123)
Trade and bills receivables		69,731	(81,928)
Prepayments, deposits and other receivables		(45,199)	(9,661)
Trade and bills payables		28,182	104,269
Other payables and accruals		22,226	7,949
Cash used in operations		(4,756)	(84,281)
Interest received		341	769
Income taxes paid		(884)	(2,363)
Net cash used in operating activities		(5,299)	(85,875)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(8,916)	(11,889)
Net cash used in investing activities		(8,916)	(11,889)
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing bank borrowings		412,516	134,699
Repayment of interest-bearing bank borrowings		(414,462)	(147,788)
Payment of lease liabilities		(2,663)	—
Interest paid		(28,472)	(34,078)
Increase in amounts due to fellow subsidiaries		30,853	44,977
Decrease in pledged bank deposits		21,852	41,103
Net cash generated from financing activities		19,624	38,913
Net increase (decrease) in cash and cash equivalents		5,409	(58,851)
Cash and cash equivalents at beginning of period		20,120	173,697
Effect of foreign exchange rate changes, net		664	1,743
CASH AND CASH EQUIVALENTS AT END OF PERIOD		26,193	116,589
Analysis of balance of cash and cash equivalents			
Cash and bank balances		26,193	116,589

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2019 (the "Period") are authorised for issue in accordance with a resolution of the board (the "Board") of directors (the "Directors") passed on 27 August 2019.

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners. There were no significant changes in the nature of the Group's principal activities during the Period.

The Company is a subsidiary of Global Corn Bio-chem Technology Company Limited, a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company is Global Bio-chem Technology Group Company Limited ("GBT", and together with its subsidiaries, the "GBT Group"), a company incorporated in the Cayman Islands whose shares are also listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim 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 on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim 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 2018.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$102.6 million (six months ended 30 June 2018: approximately HK$132.8 million) for the Period and as at 30 June 2019, had net current liabilities of approximately HK$902.5 million (31 December 2018: approximately HK$1,024.0 million) and net liabilities of approximately HK$414.0 million (31 December 2018: approximately HK$313.2 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 15 may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the audit committee of the Company (the "Audit Committee") after its critical review of the management's position, the management of the Company has taken the following steps to improve the Group's financial position:

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

2.2 GOING CONCERN *(continued)*

(1) Active negotiations with banks to obtain adequate bank borrowings and to finalise the debt-equity swap proposal

The management of the Company has been actively negotiating with banks in the People's Republic of China (the "PRC" or "China") to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. In addition, Mr. Yuan Weisen, the chairman of GBT, met with the representatives of 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") on behalf of the Group and the GBT Group regularly during 2018. The debt-equity swap proposal had also been discussed amongst BOC, the People's Government of Jilin Province, the relevant professional parties and the management of the Company on a regular basis. Subsequently, the further revised debt-equity swap proposal ("Further Revised Debt-Equity Swap Proposal") was submitted by the Group and the GBT Group to the Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group and the GBT Group, the introduction of strategic investor(s) in order to strengthen the capital of the Group and other alternatives to resolve the audit modification in respect of the financial guarantee contracts, such as the option to include the indebtedness of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.) ("Dajincang") in the debt-equity swap proposal. The Further Revised Debt-Equity Swap Proposal has been reviewed by the Bank of China Jilin Province Branch and further submitted to the People's Government of Jilin Province in August 2018 for their consideration.

On 1 February 2019, a meeting amongst the representatives of the principal lending banks of the Group and the GBT Group in the PRC, 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province) ("Jilin SASAC"), 吉林省地方金融監督管理局 (Jilin Province Local Financial Supervision Administration), 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.) ("Nongtou", together with its subsidiaries, the "Nongtou Group"), and the management of the Group and the GBT Group was held in Changchun, in which the parties acknowledged the direction of the Further Revised Debt-Equity Swap Proposal and reinstated their intention to push through the execution of such proposal. The principal lending banks also confirmed at the meeting that during this transitional period, they would continue their support to the Group and the GBT Group and agreed (1) not to withdraw any banking facilities already provided; (2) to take all possible measures to ensure the renewal of all existing bank borrowings; and (3) to allow interest payment to be settled annually instead of monthly so as to ease the pressure of cash flow of the Group and the GBT Group.

Subsequent to the meeting on 1 February 2019, the parties have been actively working on the details of the Further Revised Debt-Equity Swap Proposal. As at the date of this report, the negotiation about the Further Revised Debt-Equity Swap Proposal is still on-going, pending the finalisation of the details and the conditions with the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group and the GBT Group in the PRC. The Company will endeavour to facilitate the materialisation of the Further Revised Debt-Equity Swap Proposal which shall resolve the audit modification in respect of the financial guarantee contracts as discussed in note 15 and the material uncertainty related to the going concern of the Group and it is targeted that the Further Revised Debt-Equity Swap Proposal will be concluded by the end of 2019, subject to the due approvals from the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group and the GBT Group.

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

2.2 GOING CONCERN *(continued)*

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

The Group has taken various measures to enhance its operational efficiency, especially in the Jinzhou site and the Xinglongshan site, to lower operating costs and strengthen the competitiveness of the Group. During the Period, the Group has also optimised its production in order to minimise operating cash outflows.

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

The Group has received a renewed written confirmation dated 30 June 2019 from Nongtou, the indirect major shareholder of GBT, that it would continue to provide financial support to the Group and the GBT Group in the following 24 months on a going concern basis and undertake all the liabilities that might arise from the financial guarantee contracts as discussed in note 15. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group signed a corn purchasing contract for an amount of 500,000 metric tonnes ("MT") of corn kernels with a subsidiary of Nongtou in January 2019, to ensure a stable supply of corn kernels. During the Period, the Group purchased approximately 150,000 MT of corn kernels from a subsidiary of Nongtou which aggregately accounted for 64.0% of total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 30 June 2019 amounted to RMB1,446.5 million (31 December 2018: RMB1,468.2 million). It is tasked to consolidate the state-owned investments in the agricultural sector in the Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group and the GBT Group.

The validity of the going concern assumption on which the interim condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. The Directors proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group has sufficient working capital for at least 12 months from the date of this report. Therefore, the interim condensed consolidated financial statements of the Group have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the condensed consolidated statement of financial position. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in preparing the interim 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 2018, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group and are effective for the Group's financial year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs	2015-2017 Cycle

Except for HKFRS 16 which is explained below, 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.

HKFRS 16 "Leases"

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the condensed consolidated statement of cash flows applying HKAS 7.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the financial impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 January 2019. The Group has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied for the periods from 1 January 2019 (i.e. the date of initial application) onwards. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts at 1 January 2019 in equity.

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK$'000
Operating lease commitment at 31 December 2018 and gross lease liabilities at 1 January 2019	9,355
Discounting	(372)
Lease liabilities at 1 January 2019	8,983

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

HKFRS 16 "Leases" *(continued)*

The adjustments resulted from the initial application of HKFRS 16 at 1 January 2019 are set out below. The prior period amounts were not adjusted.

	31 December 2018 (Audited)	HKFRS 16 Reclassification	HKFRS 16 Contract capitalisation	1 January 2019 (Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Prepaid land lease payments	130,650	(130,650)	–	–
Prepayments, deposits and other receivables	7,422	(7,422)	–	–
Right-of-use assets	–	138,072	8,796	146,868
	138,072	–	8,796	146,868
Liabilities				
Lease liabilities				
– Non-current portion	–	–	2,580	2,580
– Current portion	–	–	6,403	6,403
	–	–	8,983	8,983
Equity				
Accumulated losses	(1,983,273)	–	(187)	(1,983,460)

Modified retrospective application of HKFRS 16 requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rates of 2.4% and 4.3% at the date of initial application for those leases located in Hong Kong and the PRC respectively.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two (six months ended 30 June 2018: three) reportable operating segments as follows:

(i) the corn refined products segment which comprises the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products; and

(ii) the corn sweeteners segment which comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup and maltodextrin.

The management, who is the chief operating decision-maker, monitors the results of the Group's operating segments separately for the purpose of making decisions in relation to resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs as well as corporate income and expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the then prevailing selling prices used for sales made to third parties.

(a) Segment results

For the six months ended 30 June

	Corn refined products		Corn sweeteners		Trading		Total	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Segment revenue:								
Sales to external customers	410,375	331,820	465,628	562,184	–	470	876,003	894,474
Intersegment sales	81,011	204,157	56,505	49,914	–	–	137,516	254,071
	491,386	535,977	522,133	612,098	–	470	1,013,519	1,148,545
Reconciliation:								
Elimination of intersegment sales							(137,516)	(254,071)
Revenue							876,003	894,474
Segment results	(16,560)	(65,887)	(42,473)	(25,836)	–	72	(59,033)	(91,651)
Reconciliation:								
Unallocated bank interest and other corporate income							341	4
Corporate and other unallocated expenses							(6,605)	(6,317)
Finance costs							(37,337)	(34,078)
Loss before tax							(102,634)	(132,042)
Income tax expenses							–	(786)
Loss for the period							(102,634)	(132,828)

3. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

For the six months ended 30 June

	The PRC		Asian and other regions		Total	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Segment revenue:						
Revenue from external customers	810,313	826,039	65,690	68,435	876,003	894,474

4. REVENUE, OTHER INCOME AND GAINS

	Notes	Six months ended 30 June	
		2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Revenue from contracts with customers within HKFRS 15			
Sale of goods	(a)	876,003	894,474
Other income and gains			
Amortisation of deferred income		2,709	99
Bank interest income		341	769
Gains arising from sale of packing materials and by-products, net		1,504	96
Government grants	(b)	105	—
Subcontracting income		2,018	2,072
Reversal of impairment of trade and bills receivables, net		861	8,614
Reversal of impairment of prepayments, deposits and other receivables, net		—	335
Others		1,848	563
		9,386	12,548

Notes:

(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 located in the PRC with no further obligations and conditions to be complied with.

5. FINANCE COSTS

An analysis of finance costs of the Group is as follows:

	Six months ended 30 June	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Interest on interest-bearing bank borrowings	27,861	28,864
Interest on trade payables	8,705	5,138
Finance costs for discounting bills receivables	611	76
Interest on lease liabilities	160	—
	37,337	34,078

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Cost of inventories sold	792,558	834,341
Depreciation of property, plant and equipment	37,524	40,319
Depreciation on right-of-use assets	6,145	—
Amortisation of prepaid land lease payments	—	3,804
Amortisation of deferred income	(2,709)	(99)
Loss on disposal of property, plant and equipment, net	17	44
Foreign exchange loss, net	142	177
Write-down of inventories, net, included in cost of sales	7,091	1,827
Reversal of impairment of trade and bills receivables, net	(861)	(8,614)
Impairment (Reversal of impairment) of prepayments, deposits and other receivables, net	1,631	(335)
Corn subsidies, included in cost of sales	—	(990)

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Current tax — The PRC enterprise income tax	–	786
Income tax expenses	–	786

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Period and six months ended 30 June 2018.

No provision of the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax losses during the Period (six months ended 30 June 2018: The PRC enterprise income tax was provided at the rate of 25%).

8. LOSS PER SHARE

The calculation of the basic loss per share for the Period is based on the loss attributable to owners of the Company for the Period of approximately HK$102,634,000 (six months ended 30 June 2018: HK$132,828,000) and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 shares (six months ended 30 June 2018: 1,527,586,000 shares).

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the Period and the six months ended 30 June 2018.

9. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
At 1 January 2019/1 January 2018	798,859	896,985
Additions	8,916	23,787
Disposals	(261)	(530)
Depreciation	(37,524)	(77,203)
Exchange realignment	1,005	(44,180)
At 30 June 2019/31 December 2018	770,995	798,859

11. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade receivables	208,588	274,285
Bills receivables	1,457	6,186
	210,045	280,471
Loss allowance	(74,191)	(75,747)
	135,854	204,724

The Group normally grants credit terms of 30 to 90 days (31 December 2018: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group.

Trade and bills receivables are non-interest-bearing. At the end of the reporting period, the Group had a concentration of credit risk as 20.1% (31 December 2018: 17.5%) and 55.7% (31 December 2018: 45.8%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 month	93,747	140,483
1 to 2 months	35,033	43,996
2 to 3 months	4,870	12,572
Over 3 months	2,204	7,673
	135,854	204,724

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Prepayments	24,683	27,233
Deposits and other debtors	59,561	5,703
The PRC value-added tax ("VAT") and other tax receivables	32,489	36,124
Current portion of prepaid land lease payments	—	7,422
	116,733	76,482

13. TRADE AND BILLS PAYABLES

	Notes	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade payables			
— To third parties	(a)	196,497	204,572
— To the Nongtou Group	(b)	221,581	163,046
		418,078	367,618
Bills payables		56,818	79,339
		474,896	446,957

Notes:

(a) At 30 June 2019, the trade payables to third parties included balances payable to a state-owned supplier of HK$79.7 million (31 December 2018: HK$79.7 million), which are unsecured and interest-bearing at 8.0% to 9.0% per annum (31 December 2018: 8.0% to 9.0% per annum) after the credit periods lapsed.

(b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 8.5% per annum (31 December 2018: 8.0% per annum) after the credit periods lapsed.

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2018: 30 to 90 days) from its suppliers.

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 month	53,584	209,231
1 to 2 months	111,262	67,563
2 to 3 months	76,732	2,632
Over 3 months	233,318	167,531
	474,896	446,957

14. SHARE CAPITAL

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Authorised: 100,000,000,000 (31 December 2018: 100,000,000,000) ordinary shares of HK$0.10 each	10,000,000	10,000,000
Issued and fully paid: 1,527,586,000 (31 December 2018: 1,527,586,000) ordinary shares of HK$0.10 each	152,759	152,759

15. FINANCIAL GUARANTEE CONTRACTS

長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Limited) ("Dihao Foodstuff"), a subsidiary of the Company, together with certain fellow subsidiaries of GBT have jointly provided corporate guarantees to a bank in the PRC in respect of banking facilities granted to Dajincang starting from year 2010. The maximum amount of the banking facilities was RMB2.5 billion at 30 June 2019 (31 December 2018: RMB2.5 billion). The Directors have tried to engage a professional valuer to assess the fair value of the financial guarantee contracts. However, since the Company was unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the interim condensed consolidated financial statements in respect of the financial guarantee contracts.

16. COMMITMENTS

(a) Capital commitments

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Contracted, but not provided for: Purchase or construction of property, plant and machinery	7,551	7,926

16. COMMITMENTS *(continued)*

(b) Commitments under operating leases

The Group leases its office premises under operating leases, which typically run for a period of three years. At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	31 December 2018 (Audited) *HK$'000*
Within one year	5,250
In the second to fifth years inclusive	4,105
	9,355

The Group is the lessee in respect of a number of properties, machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balance at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the condensed consolidated statement of financial position in accordance with the policies set out in note 2.3 and are no longer disclosed as commitments under operating leases.

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the Period, the Group had the following transactions with related parties:

		Six months ended 30 June	
	Notes	**2019 (Unaudited) *HK$'000***	2018 (Unaudited) *HK$'000*
Purchases from fellow subsidiaries			
— Corn starch	(i)	**88,585**	100,778
— Lysine and other corn refined products	(i)	**—**	473
— Other raw materials	(i)	**1,192**	—
Sales to fellow subsidiaries			
— Corn sweeteners	(ii)	**180**	—
Purchase of corn kernels from the Nongtou Group	(iii)	**300,396**	64,656
Interest on trade payables to the Nongtou Group	(iii)	**3,685**	2,604
Reimbursement of cost of utilities provided by a fellow subsidiary	(iv)	**5,536**	8,305
Rental expenses paid to fellow subsidiaries	(v)	**2,664**	1,273

17. RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with related parties *(continued)*

(i) The Group sourced corn starch and other raw materials from fellow subsidiaries during the Period (six months ended 30 June 2018: corn starch, lysine and other corn refined products). These purchases were made at prices based on the agreements between the parties.

(ii) The Group sold corn sweeteners to fellow subsidiaries. These sales were made at prices mutually agreed between the parties.

(iii) The Group sourced corn kernels from the Nongtou Group. These purchases were made at prices based on the agreements between the parties. The trade payables to the Nongtou Group are unsecured and interest bearing at 8.0% to 12.0% per annum after the credit periods lapsed.

(iv) The Group used the utility facilities provided by a fellow subsidiary. The utility costs were charged based on actual costs incurred by the fellow subsidiary.

(v) The Group leased certain land and premises from fellow subsidiaries. The rental expenses were charged based on lease agreements signed between the parties.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Short term employee benefits	717	2,839
Post-employment benefits	9	18
Termination benefits	65	—
Total compensation paid to key management personnel	791	2,857

(c) Balances with the related parties

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