

To: Business Editors

GLOBAL SWEETENERS
2020 NET LOSS SIGNIFICANTLY NARROWED TO HK\$8.7 MILLION
REMOVAL OF DISCLAIMER OPINION IN RELATION TO THE FINANCIAL GUARANTEES IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2021

31 March 2021 – Global Sweeteners Holdings Limited (“Global Sweeteners” or the “Company”, stock code: 03889) together with its subsidiaries (the “Group”) reported a 60.7 per cent year-on-year decrease in its consolidated revenue for the year ended 31 December 2020 (the “Year”) to HK\$769 million; gross profit also declined by approximately 62.5 per cent year-on-year to HK\$77.9 million. Such decreases were mainly attributable to the significant drop in sales volume. During the year, due to the continued impact of the COVID-19 pandemic, the slowdown in economic growth and tight operating cash flow of the Group amid the prolonged challenging operating environment, the Group consolidated its resources in the Shanghai production site, which had higher operational efficiency while suspending the operation of the other low efficiency production facilities. As a result, the Group’s gross profit margin decreased only slightly by approximately 0.5 percentage point to approximately 10.1 per cent during the Year.

Due to the recognition of a one-off gain from the resumption of the properties owned by Changchun Dihao Foodstuff Development Co., Ltd. (“Dihao Foodstuff”), the Group recorded earnings before interest, taxation, depreciation and amortisation (EBITDA) of HK\$201.4 million (2019: LBITDA of HK\$22.9 million) , with net loss significantly narrowed to approximately HK\$8.7 million (2019: HK\$162.6 million).

The board of directors of Global Sweeteners has resolved not to recommend the payment of a final dividend for the Year (2019: Nil).

With regard to the Group’s upstream business segment, the Group has suspended its upstream production facilities in the Jinzhou site since the second quarter of 2020. As a result, sales volume of upstream products dropped substantially. The revenue and gross profit from the Group’s upstream business segment for the Year decreased by 79.7 per cent and 77.5 per cent year-on-year to HK\$211.0 million and HK\$22.9 million respectively.

The revenue and gross profit of the Group’s corn syrup segment dropped by approximately 23.1 per cent and 31.5 per cent year-on-year respectively, to approximately HK\$451.4 million and approximately HK\$46.9 million respectively. Such decreases were mainly attributable to the decline in sales volume by approximately 26.9 per cent as a result of the poor sentiment of the sweeteners market and the suspension of downstream production in the Group’s Jinzhou and Xinglongshan sites.

During the Year, the revenue of maltodextrin decreased by 67.8 per cent year-on-year to approximately HK\$106.6 million due to significant decline in sales volume. Gross profit of maltodextrin dropped by 78.3 per cent year-on-year to approximately HK\$8.1 million due to decreases in selling price and sales volume resulting from stagnant demand and keen market competition.

Export sales of upstream corn refined products and corn sweeteners amounted to approximately HK\$16.2 million and approximately HK\$10.7 million respectively, representing decreases of approximately 81.8 per cent and 81.0 per cent respectively. Such decreases were mainly attributable to the suspension of most of the Group’s production facilities.

During the Year, the management of Group has focused on the materialisation of the debt restructuring plan of the Group and speeding up the resumption of land and buildings of the Group in its old production site in Luyuan District, Changchun.

With respect to the debt restructuring plan, subsequent to the transfer of the BOC Transferred Loans from the Jilin Branch of China Cinda Asset Management Co., Ltd (“China Cinda”) to Changchun Rudder Investment Group Co., Ltd. (“Changchun Rudder”), a company controlled by the Changchun Municipal Government (the “Local Government”), the Group, Global Bio-chem Technology Group Company Limited (“GBT”) together with its subsidiaries but excluding the GSH Group (the “GBT Group”) and Changchun Dajincang Corn Procurement Co., Ltd. (“Dajincang”) each entered into repurchase agreements (the “Repurchase Agreements”) with Changchun Rudder for the purchase of each of their respective portions of the BOC Transferred Loans. The consideration of the Group’s portion of the BOC Transferred Loans amounted to RMB113,510,000 which will be financed by the proceeds from the compensation for the resumption of the land and buildings of the Group in Luyuan District, Changchun. The completion of the Repurchase Agreements took place on 31 March 2021. With respect to the Financial Guarantees jointly provided by a subsidiary of the Group and certain subsidiaries of the GBT Group (the “Guarantor Subsidiaries”) for the indebtedness of Dajincang, the obligations of the Group and the GBT Group as guarantors have been discharged upon the completion of the Repurchase Agreement entered into between Changchun Rudder and Dajincang on 31 March 2021. As a result, as confirmed by the auditors of the Company, the disclaimer opinion in relation to the Financial Guarantee Contracts on the Group’s consolidated financial statements for the year ending 31 December 2021 will be removed. However, the auditor of the Company may be unable to determine whether any adjustments in respect of the Financial Guarantee Contracts as at 31 December 2020 are necessary, which may have a significant impact on the financial position of the Group as at 31 December 2020, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ending 31 December 2021.

“The completion of the Repurchase Agreement marked a significant milestone of the Group towards improving the Group’s financial position, as all the obligations of the Guarantor Subsidiaries under the Financial Guarantee Contracts have been released.” said Mr Zhang Zihua, the Acting Chairman of Global Sweeteners.

With respect to the resumption of the properties of the Group in Luyuan District, Dihao Foodstuff, a subsidiary of the Group has entered into compensation agreements with the Luyuan Government regarding the resumption of certain properties owned by Dihao Foodstuff (the “Dihao Resumption”). Dihao Foodstuff shall receive compensation of approximately RMB443.0 million for the Dihao Resumption, which has all been received as at 31 March 2021. The proceeds from the Dihao Resumption will help relieve the financial and cashflow pressure of the Group during the period of suspension and provide part of the funding for the capital expenditure for the relocation of the Group’s production facilities in Changchun.

Looking into the future, Mr Zhang remarked: “The operating environment in 2021 is expected to remain challenging. The Group will continue to monitor the development of the COVID-19 pandemic as well as market conditions, and will ensure the operation of the Group’s subsidiaries to resume as soon as practicable. With respect to the financial position, the Group will endeavour to facilitate similar arrangement to the Repurchase Agreements for the outstanding debts owed to other major lending banks. For the sustainable development of the Group, the Group will take the opportunity of the relocation of the production facilities in Changchun and utilise its research and development capabilities to update its product mix and production capacity to better suit current market needs.”

About Global Sweeteners

Global Sweeteners (stock code: 03889.HK) is listed on the Main Board of The Stock Exchange of Hong Kong Limited in September 2007 and is principally engaged in the production and sale of corn refined products (including corn starch, corn oil, gluten meal and fibre), and various corn sweeteners (including glucose and maltose syrup, HFCS and maltodextrin) for food and beverage, chemical, confectionery, daily, cosmetics and pharmaceutical products manufacturers.

Global Sweeteners is a non-wholly owned subsidiary of Global Bio-chem Technology Group Company Limited (stock code: 00809.HK), the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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(Attached with: Global Sweeteners' audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020)

Global Sweeteners Holdings Limited

(Stock Code: 03889)

Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2020

	For the year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
REVENUE	769,024	1,956,820
Cost of sales	(691,158)	(1,749,180)
Gross profit	77,866	207,640
Other income and gains	309,129	18,371
Selling and distribution costs	(61,252)	(180,386)
Administrative expenses	(94,741)	(111,807)
Other expenses	(111,413)	(38,120)
Finance costs	(110,103)	(75,672)
PROFIT (LOSS) BEFORE TAX	9,486	(179,974)
Income tax (expenses) credit	(18,212)	17,404
LOSS FOR THE YEAR	(8,726)	(162,570)
OTHER COMPREHENSIVE (LOSS) INCOME		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	(12,097)	11,657
Reclassification adjustment in respect of exchange reserve upon deregistration of a subsidiary	401	—
	(11,696)	11,657
Items that will not be reclassified subsequently to profit or loss:		
Gain on properties revaluation	—	70,544
Income tax effect	—	(17,636)
	—	52,908
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR, NET OF TAX	(11,696)	64,565
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(20,422)	(98,005)
LOSS ATTRIBUTABLE TO:		
Owners of the Company	(8,726)	(162,570)
Non-controlling interests	—	—
	(8,726)	(162,570)
TOTAL COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO:		
Owners of the Company	(19,991)	(98,142)
Non-controlling interests	(431)	137
	(20,422)	(98,005)
LOSS PER SHARE		
Basic	HK(0.6) cents	HK(10.6) cents
Diluted	HK(0.6) cents	HK(10.6) cents