大成糖業控股有限公司

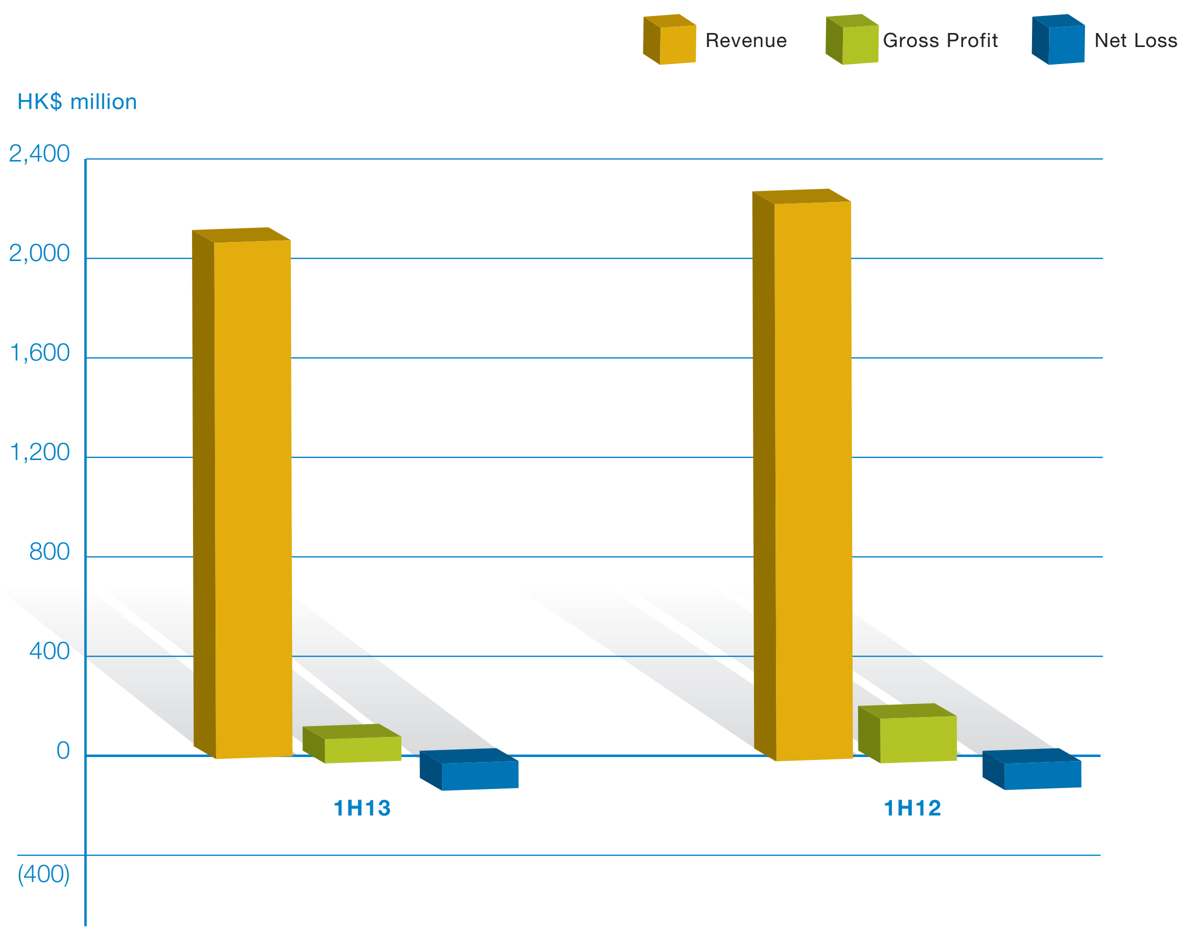
GLOBAL Sweeteners Holdings Limited

INTERIM REPORT 2013

CONTENTS

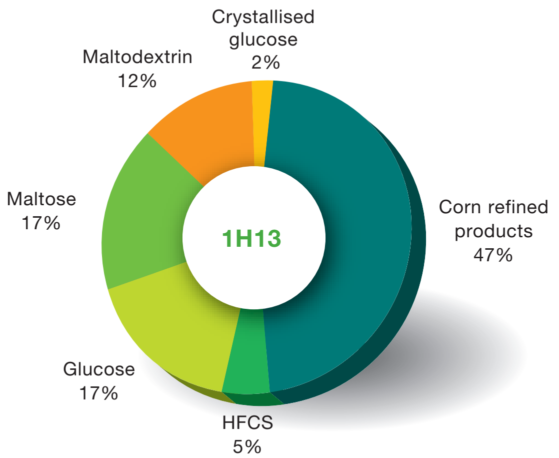
FINANCIAL HIGHLIGHTS

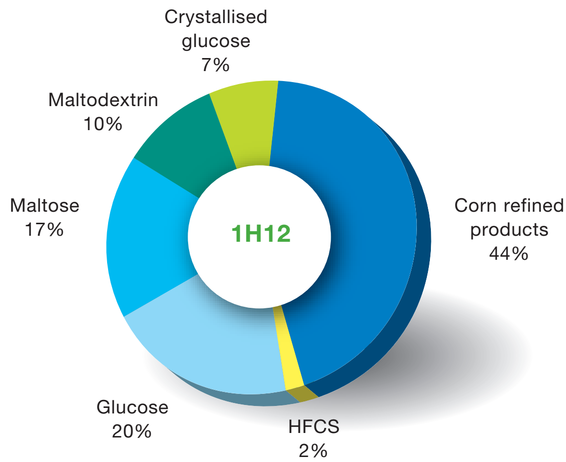
(HK$ million)	Six months ended 30 June (Unaudited) 2013	2012	Change %
Revenue	2,095	2,261	(7.3)
Gross profit	98	181	(45.7)
Loss before tax from continuing operations	(100)	(22)	N/A
Loss for the period from a discontinued operation	(2)	(78)	N/A
Net loss from ordinary activities attributable to shareholders	(110)	(107)	N/A
Basic loss per share (HK cents)	(7.17)	(7.01)	N/A
Basic loss per share from continuing operations (HK cents)	(7.02)	(2.14)	N/A
Interim dividend per share (HK cents)	Nil	Nil	N/A



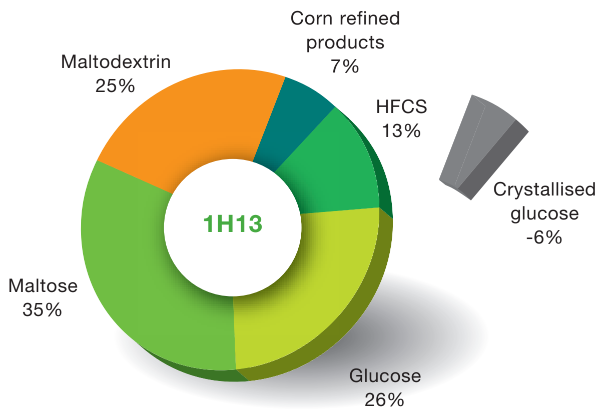
REVENUE AND SALES ANALYSIS

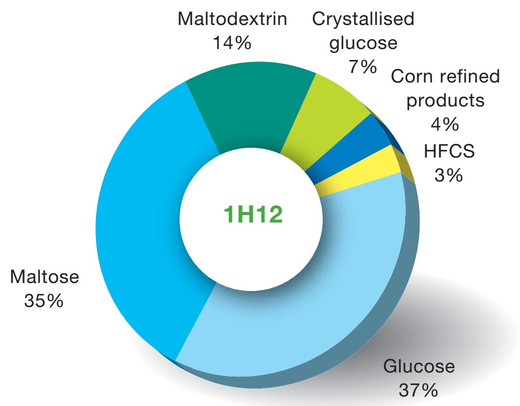
REVENUE



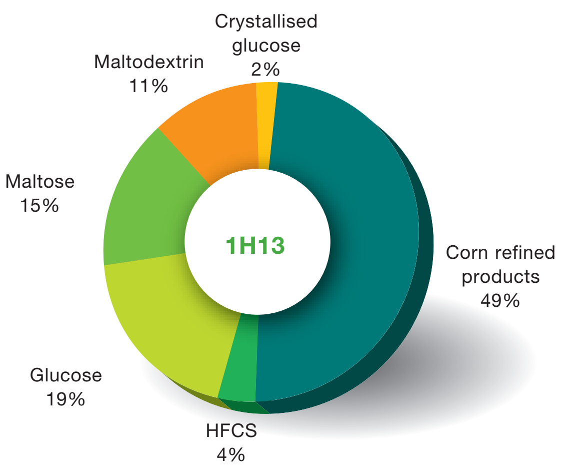


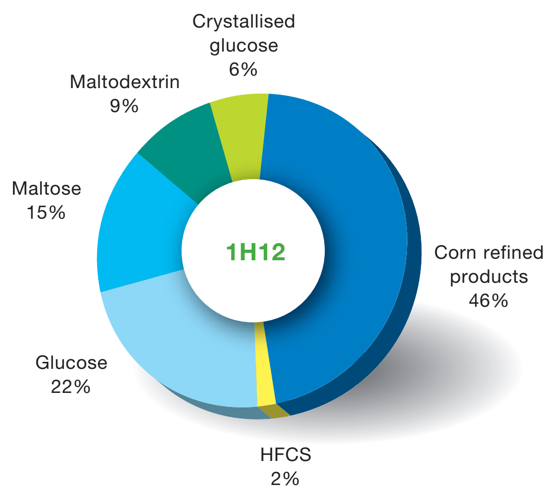
GROSS PROFIT





SALES VOLUME





CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Kong Zhanpeng *(Chairman)*
Zhang Fazheng *(Chief Executive Officer)*
Lee Chi Yung

Independent non-executive Directors

Chan Yuk Tong
Gao Yunchun
Ho Lic Ki

COMPANY SECRETARY

Lee Chi Yung, ACCA, HKICPA

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AUDITORS

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Certified Public Accountants
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CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
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1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

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Bank of China Tower
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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STOCK CODE

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MESSAGE TO SHAREHOLDERS

To the Shareholders:

During the first half of 2013, continuing with the global economic uncertainty last year, pace of recovery has been slow. While in China, affected by the unfavourable macro environment, export business continued to be stagnant. As the pace of economic growth in China slackened, it has inevitably weakened consumer sentiment. Challenges continued to fill the business environment. During the period, corn price remained stable as a result of economic slowdown and increased production. However, over capacity of upstream corn refinery continued to squash the product price. On the other hand, both international and domestic sugar prices remained low during the period, putting pressure on the downstream sweetener products prices. Hammered by the impact of sluggish consumption and increased supply from sugar imports, although the Group managed to maintain its market share during the period, the sales revenue dropped by 7.3% to HK$2,095,000,000 as compared to the corresponding period last year with decreased sales volume and prices.

During the period under review, the Group's unit cost of production increased as certain production lines did not operate at full utilisation rate. On the other hand, inflationary pressure in the PRC has given rise to the increase in other production costs such as salaries, pushing up the overall operating cost of the Group for the first half of the year. During the period, apart from adopting stringent cost control, the Group has also endeavoured to limit its finance costs and maintain a sufficient cash flow. In spite of the various proactive measures taken to mitigate the adverse market effects, the Group recorded a net loss for the first half of the year.

BUSINESS REVIEW

As the PRC consumer market turned sluggish, the growth of food and beverage manufacturing industry has been slowing down. In addition, excess capacity in the upstream corn refinery has accumulated relatively high inventory level among corn processors, putting price-cutting pressures on industry players to lower inventory. During the first half of the year, the average selling price of corn starch has dropped below RMB3,000 per metric tonne which was lower than last year's average. To cope with this situation, the Group optimised its capacity utilisation rate to fulfill the need from its downstream production as well as sell to other high-end customers. The sales volume of other upstream corn refined products, on the other hand, increased slightly to 163,000 metric tonnes, with the average price increased by approximately 2.2% as compared to the corresponding period last year.

During the period under review, the international sugar price remained at low level due to excess supply as sugar cane reaped good harvest across the globe. Situation in China was similar with the PRC sugar price stayed low between RMB5,300 to RMB5,500 per metric tonnes as a result of increased production and the sluggish consumer market. Given sugar and sweeteners are food necessities, their demand remained stable. However, with a relatively higher domestic sugar price as compared to the international sugar price during the period, imported sugar has been fluxing into the PRC market, aggravating the already intense competition. The demand for sweeteners as substitutes for sugar has decreased, which in turn further pressured its price.

Despite the satisfactory performance of the Group's maltodextrin and high fructose corn syrup ("HFCS") segments during the period, the sales revenue has dropped by 11.6% to approximately HK$1,117,000,000 as sales of other sweetener products shriveled.

MESSAGE TO SHAREHOLDERS

During the period under review, the sales of the Group's HFCS products increased by one fold, serving various renowned domestic and overseas beverage brands. The Group also fully capitalised on its highly flexible production lines and switched part of its HFCS production facilities to produce other sweetener products according to market needs. As such, notwithstanding the sales volume of HFCS products for the period was below 50% of its designed capacity, the production facilities were actually operating at full capacity. Generally speaking, summer time is the peak season for glucose syrup and maltose syrup as demand from food and beverage industry bloomed. Nevertheless, such phenomenon was not as prominent this year. Adding that manufacturers became cautious on their procurement, sales volume of glucose syrup and maltose syrup has been squeezed. With consumer sentiment weakened and sugar price dropped, crystallised glucose recorded a drop in both sales revenue and volume. Maltodextrin attained more satisfactory performance with stable prices and an increase in sales volume of 10.8% year on year.

In June this year, the Group has formed a strategic alliance with a global leading agricultural company, Archer Daniels Midland Company ("ADM"), under which ADM was appointed as the exclusive distributor of sweetener products produced by the Group in the various Asian markets as well as in Australia and New Zealand. The collaboration is expected to expedite the business development and increase brand awareness of the Group in the sweetener market in the target region by leveraging on ADM's extensive and comprehensive distribution network. During the period, the Group's export volume increased by 20.9% to 52,000 metric tonnes.

OUTLOOK

The upstream corn processing industry is going through a consolidation stage. In face of over capacity in the market and weak product prices, some of the manufacturers have cut or even suspended production. It is anticipated that certain inefficient facilities will be eliminated. After market consolidation, the operating environment is expected to be healthier and more favourable for a steady development of the industry.

In respect of the downstream products, given the high inventory level in China and the continued influx of imported sugar, we expect sugar price will remain weak in the second half of the year. In view of a relatively weak market demand and the uncertain economic prospects, buyers' procurement pattern turns conservative. This will continue to bring considerable challenges to the sweeteners market. The Group will leverage on its production technologies and scale for further cost control; and at the same time, utilise the flexibility of its production facilities, enhance its product portfolio, and strengthen its sales management and customer services to cope with changes in the market demand.

With regard to the export business, as the Group finalises the sales collabration with ADM, it is foreseen that the Group will be able to effectively raise its export volume and expand its coverage in the overseas market.

The Group's Jinzhou corn refinery expansion with an annual capacity of 300,000 MT will be completed in the third quarter of this year. The Group will adopt a prudent approach in gradually ramping up its utilisation, heeding the changes in market demand.

On top of this, the Group is conducting preliminary planning for the relocation of the production facilities from Changchun to Xinglongshan site in stages. It is expected that the Group will further strengthen its competitive advantage through the relocation of the production facilities by optimising the production flow, increasing cost effectiveness and launching higher value add products. The Group is in negotiation with the Changchun government in relation to the relocation plan, which is subject to examination and approval by the relevant authorities. The Company will make further announcements upon the finalisation of the details of the relocation.

In view of the ever-changing market environment, the Group will maintain a cautious approach in financial management. To maintain adequate liquidity, the Group will continue to minimise capital investments. It is anticipated that the Group's capital expenditure for the second half of 2013 will be limited to HK$70 million. Apart from this, the Group has also adopted a series of measures to improve its cash flow during the period, such as adopting more stringent credit control and lowering its inventory level.

In response to the structural changes in the sweeteners market, the Group will fortify its research and development capabilities to provide more high value add products to cater for the demand from leading international and domestic food and beverage processors, hence further consolidating its leading position in the market. The Group will also put in more effort in brand building. Apart from the marketing of the Group's brandname, the Group will focus on enhancing its after-sale services for customers and sales management to increase customer loyalty. While every industry inevitably has its business cycle, the Group is committed to strengthen itself in preparation for the next upward cycle.

In face of economic slowdown, China is undergoing the stage of structural adjustment. The government targets to consolidate industries, promote sustainable competitiveness and stimulate domestic consumer market through industry upgrade, brand building, and promotion of scientific research and high value add industries, in order to rectify the over capacity situation. With the extensive experience of the Group's management over the past years, advanced production processes and precise product R&D technologies, the Group enjoys unique competitive advantages in meeting industrial challenges. The Group will capture the opportunities arising from industry consolidation, further enhancing its market influence.

Kong Zhanpeng
Chairman

29 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production 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 then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in the corn procurement business, which corn kernels are purchased directly from corn origination silos for cost savings.

BUSINESS ENVIRONMENT

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.

Due to favourable climate conditions, it is anticipated that the corn harvest in the United States of America ("US") shall outperform expectations in 2013. Consequently, international corn price has dropped to 489.5 US cents per bushel in June 2013. While in China, according to the National Bureau of Statistics of China, domestic corn harvest in 2012/13 exceeds 208 million metric tonnes ("MT"), representing an 8.0% increase comparing to the corresponding period last year. Notwithstanding the increased supply of corn kernels, as the demand for corn kernel remained strong in China, the average purchase price of corn kernels remained at approximately RMB2,004 per MT for the Period.

The operating environment for the Group has been challenging during the Period. Economic growth in the People's Republic of China (the "PRC") continued to slow down with the growth rate dropping to 7.5% for the second quarter of this year as a result of the rise in production costs, tightened property policy and weakened export. On the other hand, the pace of global economic recovery remained slow, sentiment among buyers and manufacturers stayed conservative as reflected in China's Purchasing Managers Index. The outbreak of H7N9 bird flu earlier this year has also put the feed industry further deep in the mire. In addition, the market is flooded with excess supply of corn starch as a consequence of drastic expansions of corn refineries since 2009 with the PRC Government easing its monetary policy. The average selling price of corn starch remained low at approximately RMB2,950 per MT by the end of the Period, putting the Group's upstream business under pressure.

In respect of sugar price movement, after three consecutive years of declining cane sugar production since 2009, the production volume of cane sugar in China finally rebounded. As a result, the price of cane sugar, a substitute of the Group's corn sweetener products, dropped to approximately RMB5,400 per MT by the end of the Period. On the other hand, international sugar price dropped to 16.8 US cents per pound by the end of June 2013 as a result of increased production in various regions. The discrepancy between domestic and international sugar prices also encouraged imports, which further pressured the prices of the Group's sweetener products.

Despite an increasingly challenging operating environment for the Group, the Board is of the view that the Group is merely undergoing a transitional period. Considering the PRC sweeteners market is still in its rapid development stage with the consumption of sugar and sweeteners per capita being only half of the world average, it indicates a substantial room for growth in the sweeteners market. With the PRC's economy continues to progress, urbanisation will take place in the developing cities and the living standards of the population is expected to improve. As one of the living necessities, demand for sweeteners will be least affected at times of economic fluctuations.

With the beginning of the tenure of the new Chinese Government that promotes stable and sustainable growth of the country, it is foreseen that such will lead to an era of industry consolidation and efficiency enhancement in the PRC. After more than a decade's development, the Group has established leading position in the market and has laid a solid foundation with strong management team and a well-established sales and marketing network backed by an outstanding R&D and production team. The Group is confident that despite poor current market sentiment, it shall have the ability to withstand all challenges.

FINANCIAL PERFORMANCE

The Group's consolidated revenue decreased by approximately 7.3% to approximately HK$2,095 million (2012: HK$2,261 million) while gross profit decreased by approximately 45.7% to HK$98 million (2012: HK$181 million) when compared to the corresponding period last year. The revenue decrease was mainly attributable to the decrease in average selling prices and sales volume. Furthermore, with high production costs and weak market selling prices, the Group's net loss attributable to shareholders for the Period amounted to approximately HK$110 million (2012: HK$107 million).

Upstream products

(Sales amount: HK$978 million (2012: HK$997 million))

(Gross profit: HK$7 million (2012: HK$7 million))

During the Period, no internal consumption of corn kernels were provided for upstream production (2012: 62,000 MT).

During the Period, the sales volume of corn starch and other corn refined products were approximately 150,000 MT (2012: 156,000 MT) and 163,000 MT (2012: 147,000 MT) respectively. Internal consumption of corn starch was approximately 87,000 MT (2012: 64,000 MT), which was used as raw material for production in the Group's Changchun, Jinzhou and Shanghai production sites.

The average selling prices of corn starch dropped to approximately HK$3,295 per MT (2012: HK$3,320 per MT) while other corn refined products increased by approximately 2.2% to HK$2,732 per MT (2012: HK$2,674 per MT) as compared to the corresponding period last year. Cost of sales increased by approximately 3.3% which was mainly attributable to the increase in raw material costs and other manufacturing costs as a result of inflationary pressure in the PRC. Consequently, the corn starch segment recorded a gross profit margin of approximately 6.3% (2012: 7.6%) while other corn refined products segment recorded a gross loss margin of approximately 5.8% (2012: 8.5%) during the Period.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation continued during the Period and is expected to continue in the second half of 2013.

Since the upstream segment is under the process of consolidation, the management believes the operating environment in China will only be recovering in year 2014.

Corn syrup

(Sales amount: HK$806 million (2012: HK$875 million))

(Gross profit: HK$72 million (2012: HK$137 million))

During the Period, revenue of high fructose corn syrup 42 ("HFCS 42") increased by 98.2% to approximately HK$19 million (2012: HK$10 million) which was mainly attributable to the increase in sales volume by 76.7% to approximately 5,300 MT (2012: 3,000 MT). As a result, gross profit increased by 82.9% to approximately HK$2 million (2012: HK$1 million). However, the gross profit margin dropped to 13.0% (2012: 14.1%) owing to the decline in average selling price by 3.1% during the Period. The operating environment of high fructose corn syrup 55 ("HFCS 55") was similar. It recorded a sales volume and revenue of approximately 21,000 MT and HK$82 million respectively during the Period (2012: 9,000 MT and HK$34 million) with a gross profit and gross profit margin of approximately HK$10 million and 12.9% (2012: HK$5 million and 14.0%) respectively.

During the Period, the average selling price of glucose syrup decreased by approximately 4.8% and the sales volume decreased to approximately 131,000 MT (2012: 158,000 MT) as compared to the corresponding period last year. Consequently, the revenue of glucose syrup dropped by approximately 21.0% to approximately HK$353 million (2012: HK$447 million).

The average selling price of maltose syrup during the Period increased slightly by approximately 2.1% while the sales volume decreased by 10.9% to approximately 98,000 MT (2012:110,000 MT) as compared to the corresponding period last year. As a result, the revenue of maltose syrup decreased by 8.3% to approximately HK$352 million (2012: HK$384 million).

Internal consumption of glucose syrup for downstream production during the Period decreased to approximately 24,000 MT (2012: 98,000 MT) which was mainly attributable to the decrease in production volume of crystallised glucose.

Aa a result of the significant increase in cost of production as compared to the corresponding period last year, the gross profit margin of glucose syrup and maltose syrup segments dropped to approximately 7.1% (2012: 15.1%) and 9.8% (2012: 16.8%) respectively.

During the Period, the Group sold approximately 109,000 MT (2012: 54,000 MT) of glucose syrup to Global Bio-chem Technology Group Company Limited (“GBT”) and its subsidiaries excluding the Group (together, the “GBT Group”).

Corn syrup solid

(Sales amount: HK$311 million (2012: HK$389 million))

(Gross profit: HK$19 million (2012: HK$37 million))

The revenue of corn syrup solid decreased by approximately 19.9% during the Period. It was mainly attributable to the decrease in sales volume. The average selling price of crystallised glucose remained stable while sales volume decreased by approximately 66.7% to 13,000 MT (2012: 39,000 MT). Consequently, the revenue of crystallised glucose decreased by approximately 66.7% to approximately HK$51 million (2012: HK$155 million).

During the Period, the average selling price of maltodextrin remained stable and sales volume increased by 10.8% to approximately 72,000 MT (2012: 65,000 MT). As a result, the revenue of maltodextrin increased by approximately 11.1% to approximately HK$260 million (2012: HK$234 million).

During the Period, sales volume of the crystallised glucose segment shrank by 66.7% due to the weak market selling price and keen competition. As a result, unit cost of production increased by 19.5% and cyrstallised glucose segment recorded a gross loss of approximately HK$5 million (2012: gross profit HK$13 million) with a gross loss margin of 10.6% (2012: gross profit margin 8.1%). Maltodextrin segment recorded a gross profit of approximately HK$24 million (2012: HK$24 million) with a gross profit margin of 9.5% (2012: 10.3%).

During the Period, the Group sold approximately 400 MT (2012: 3,000 MT) of crystallised glucose to the GBT Group.

Export sales

During the Period, the Group exported approximately 45,000 MT (2012: 36,000 MT) of upstream corn refined products and approximately 7,000 MT (2012: 7,000 MT) of corn sweeteners; their export sales amounted to approximately HK$105 million (2012: HK$66 million) and HK$29 million (2012: HK$30 million) respectively, representing approximately 6.4% (2012: 4.3%) of total revenue of the Group.

As announced by the Company on 6 June 2013, the Group has entered into distribution agreement ("Distribution Agreement") with Archer Daniels Midland Company ("ADM"), a company incorporated in Delaware, USA, for the distribution of certain sweetener products.

Pursuant to the Distribution Agreement, ADM has been appointed as the exclusive distributor for a term of one year commencing from June 2013 of certain sweetener products manufactured by the Group to various Asian countries, Australia and New Zealand subject to terms and conditions thereof.

The Board considers that the collaboration with ADM can expedite the business development and increase brand awareness of the Group in the sweetener market in Asia by leveraging on ADM's extensive and well-established distribution network.

Other income, operating expenses, finance costs and income tax

Other income

During the Period, other income of the Group decreased by approximately 61.0% to HK$14 million (2012: HK$36 million). Such decrease was due to the gain on bargain purchase arising from the acquisition of the joint ventures of approximately HK$13 million and exchange differences reclassified from reserves when the joint ventures became subsidiaries of approximately HK$13 million in the six months ended 30 June 2012 were not applicable for the Period.

Selling and distribution expenses

During the Period, the selling and distribution expenses representing 5.1% (2012: 5.2%) of the Group's revenue decreased by 8.5% to approximately HK$107 million (2012: HK$117 million) which was mainly attributable to the decrease in sales volume of the Group.

Administrative expenses

During the Period, administrative expenses remained stable at HK$51 million (2012: HK$50 million), representing 2.4% (2012: 2.2%) of the Group's revenue, which was a result of effective cost control of the Group.

Finance costs

During the Period, finance costs of the Group decreased to approximately HK$54 million (2012: HK$71 million) due to the decrease in bank borrowings of approximately HK$148 million.

Income tax

Although the Group recorded a net loss during the Period, certain subsidiaries in PRC incurred net profit and were subject to PRC enterprise income tax. As a result, income tax expenses amounted to approximately HK$7 million was provided (2012: HK$11 million).

Net loss attributable to shareholders

As a result of the high production costs and weaker than expected market selling prices, the Group recorded a net loss of approximately HK$110 million (2012: HK$107 million) during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The Group's net borrowings decreased slightly to approximately HK$1,169 million (31 December 2012: HK$1,244 million) as at 30 June 2013 as a result of the cash inflow from operating activities of approximately HK$20 million.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. As at 30 June 2013, out of the amounts due from fellow subsidiaries, approximately HK$185 million representing the trade nature portion (31 December 2012: HK$407 million) was taken into consideration in the calculation of trade receivables turnover days. During the Period, the trade receivables turnover days decreased to approximately 58 days (31 December 2012: 81 days) which was mainly attributable to the stringent control on credit terms that has been applied. Subsequent to the end of the reporting period, approximately HK$198 million of trade and bills receivables was settled.

Meanwhile, the outstanding trade related balances of approximately HK$152 million (31 December 2012: HK$411 million) as at 30 June 2013 arising from the purchase transactions with the GBT Group were classified as amounts due to fellow subsidiaries. Such balances were considered as trade payables for the calculation of trade payables turnover days. During the Period, trade payables turnover days increased to approximately 62 days (31 December 2012: 43 days) as part of the cash flow management.

Due to the increase in the inventory level of corn kernels in Jinzhou Yuancheng Bio-Chem Technology Co., Ltd. ("Jinzhou Yuancheng"), Changchun Jincheng Corn Development Co., Ltd. ("Changchun Jincheng") and the two corn origination silos to approximately 465,000 MT (31 December 2012: 319,000 MT), the inventory turnover days had increased to approximately 133 days for the Period (31 December 2012: 94 days).

The current ratio as at 30 June 2013 decreased to approximately 1.12 (31 December 2012: 1.29) and quick ratio decreased to approximately 0.61 (31 December 2012: 0.86) due to the increase in short term bank borrowings as a result of relocation of long term borrowings amount to HK$289 million to short term ones. Gearing ratios in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 52.3% (31 December 2012: 53.5%). Gearing ratio remained at similar level due to the stringent control over operating cash flows during the Period. Interest coverage (i.e. EBITDA over finance costs) decreased to approximately 0.5 times (2012: 0.6 times) which is mainly attributable to the decrease in EBITDA by 35.1% to approximately HK$28 million (2012: HK$44 million).

Structure of interest bearing borrowings

As at 30 June 2013, the Group's bank borrowings amounted to approximately HK$1,699 million (31 December 2012: HK$1,802 million), of which approximately 4.1% (31 December 2012: 3.9%) was denominated in Hong Kong dollars and approximately 2.2% (31 December 2012: 2.4%) was denominated in US dollar while the remainder was denominated in Renminbi. The average interest rate during the Period decreased to approximately 6.1% (2012: 7.2%) per annum as a result of the decrease in the PRC interest rate.

Pursuant to a loan agreement entered into between Changchun Dihao Foodstuff Development Co., Ltd. ("Changchun Dihao"), which is an indirect wholly owned subsidiary of the Company, and China Construction Bank ("Changchun Lender") in respect of a two-year fixed term loan in the amount of RMB200 million due in August 2014 guaranteed by GBT ("First Loan"), Changchun Dihao is required to satisfy certain financial covenants, among others, that its gearing ratio should not be higher than 75%, current ratio should not be below 1.0 and contingent liabilities should not be higher than 50% of its net asset value, failure to perform or comply with any of those financial covenants entitles the Changchun Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the First Loan immediately due and payable.

As announced by the Company on 22 March 2013, Changchun Dihao has failed to fulfill certain financial covenants under the First Loan, namely, the gearing ratio, current ratio and contingent liabilities of Changchun Dihao as of 31 December 2012 as it failed to achieve the minimum ratio requirement as prescribed above. Such breach entitled the Changchun Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the First Loan to become immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the Group in the aggregate outstanding principal amount of approximately RMB280 million.

As announced by the Company on 27 August 2013, the Group has made an early repayment of the First Loan in full in mid August 2013, and therefore the loan agreement to which the First Loan related had been terminated since then. As a result, the Group has no longer been in material default of such loan agreement, and has ceased to be in breach of the cross default provisions of the other loan agreements entered into by the Group in the aggregate outstanding principal amount of approximately RMB280 million.

In addition, under the loan agreements entered into between Jinzhou Yuancheng, which is an indirect wholly owned subsidiary of the Company, and China Construction Bank in Jinzhou ("Jinzhou Lender") in aggregate outstanding principal amount of RMB200 million ("Second Loan"), Jinzhou Yuancheng is required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants entitles the Jinzhou Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the loan agreements immediately due and payable.

As at 30 June 2013, Jinzhou Yuancheng has failed to fulfill a financial covenant under the Second Loan. Such breach entitled the Jinzhou Lender to declare the outstanding principal amount, accrued interest and all other sums payable under the Second Loan immediately due and payable. In addition, such breach may also trigger cross default provisions in another loan agreement entered into by the Group in the aggregate outstanding principal amount of approximately RMB100 million.

As announced by the Company on 27 August 2013, the Group obtained a written confirmation from the Jinzhou Lender for the relaxation and adjustment of the breached financial covenant with effect from early July 2013 and the Group has complied with such adjusted financial covenant since then. As the Group has no longer been in material default of such loan agreements since then, it has ceased to be in breach of the cross default provisions in another loan agreement entered into by the Group in the aggregate outstanding principal amount of RMB100 million.

The percentage of interest bearing borrowings wholly repayable within one year or on demand and in the second to the fifth years were approximately 98.5% (31 December 2012: 82.1%) and 1.5% (31 December 2012: 17.9%) respectively. The change in repayment pattern was mainly due to reallocation of long term bank borrowings to short term bank borrowings during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of business segments and overall foreign exchange risk profile, and will consider appropriate hedging measures in future when necessary.

FUTURE PLANS AND PROSPECTS

It is the Group's mission to become one of the leading corn sweeteners manufacturers in Asia and a major player in the global market. To achieve this objective, the Group will strive to enlarge 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 and strategic business alliance with prominent international market leaders.

As one of the largest corn sweetener producers in the PRC in terms of production capacity and production output, the Board believes that it is of utmost importance for the Group to maintain its leading position in the market in terms of production capacity and market share.

EXPANSION OF PRODUCTION CAPACITY

In terms of capacity expansion for the Group's long term strategy, the Board intends to establish new production facilities in the proximities of the Group's current production facilities and in other PRC locations. It is expected that the construction of these new production facilities will be undertaken by new subsidiaries of the Company or joint ventures with third parties.

To secure raw material supplies and match with the Group's expansion in downstream corn sweeteners production in future, the Group commenced construction in building an additional 300,000 mtpa corn processing capacity in current Jinzhou corn refinery in August 2011 which is expected to complete by the second half of 2013.

The Board estimates that substantial portion of the above expected capital expenditures will be incurred prior to the commencement of commercial production of the production facilities while the remaining amounts are expected to be settled within one year from the relevant dates of commencement of commercial production. The Board is of the view that the existing technology know-how of the Group is sufficient for such expansion. The expansion plans of the Group will be principally financed by the Group's internal resources and bank borrowings.

At present, the Directors are of a prudent view that the Company should continue to observe market movements and assess from time to time the need and feasibility of capacity expansion.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2013, the Group has approximately 1,500 full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, hence has placed great emphasis on the recruitment of qualified and experienced personnel to enhance Group's production capability and products innovation. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Staff benefits provided by the Group include mandatory fund, insurance schemes and performance related commissions.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend in respect of the Period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) of the directors and chief executive of the Company as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of director	**The company/name of associated corporation**	**Capacity/ nature of interest**	**Number and class of securities held** (Note 1)	**Percentage of the relevant class of issued share capital of the Company/ associated corporation**
Kong Zhanpeng	Global Bio-chem Technology Group Company Limited ("GBT")	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.56
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) (Note 2)	7.41
	The Company	Beneficial owner	1,984,000 shares (L) (Note 3)	0.13
	The Company	Beneficial owner	6,000,000 shares (L) (Note 4)	0.39
	GBT	Interest of a controlled corporation	Bonds in the principal amount of RMB3,000,000 (Note 5)	N/A
Zhang Fazheng	The Company	Beneficial owner	2,000,000 shares (L) (Note 6)	0.13
Lee Chi Yung	The Company	Beneficial owner	4,000,000 shares (L) (Note 7)	0.26
Chan Yuk Tong	The Company	Beneficial owner	2,000,000 shares (L) (Note 8)	0.13
Ho Lic Ki	The Company	Beneficial owner	2,000,000 shares (L) (Note 9)	0.13

DISCLOSURE OF ADDITIONAL INFORMATION

Notes:

1. The letter "L" represents the director's interests in the shares and underlying shares of the Company or its associated corporation.

2. These 241,920,000 shares are held by Hartington Profits Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Kong Zhanpeng.

3. These shares are held by Hartington Profits Limited.

4. These shares are underlying shares comprised in the options granted to Mr. Kong Zhanpeng pursuant to the share option scheme of the Company.

5. These 7.0% guaranteed bonds due 2014 are held by Hartington Profits Limited.

6. These shares are underlying shares comprised in the options granted to Mr. Zhang Fazheng pursuant to the share option scheme of the Company.

7. These shares are underlying shares comprised in the options granted to Mr. Lee Chi Yung pursuant to the share option scheme of the Company.

8. These shares are underlying shares comprised in the options granted to Mr. Chan Yuk Tong pursuant to the share option scheme of the Company.

9. These shares are underlying shares comprised in the options granted to Mr. Ho Lic Ki pursuant to the share option scheme of the Company.

Saved as disclosed above, as at 30 June 2013, none of the directors and the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors Interest and Short Positions in Shares and Underlying Shares" above, at no time during the Period were rights to acquired benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or any person in whose shares and debentures any directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, so far as is known to the directors, the following persons (other than the directors or chief executive) 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**
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 shares of HK$0.10 each (L)	64.01
GBT	Interest of a controlled corporation (Note 2)	977,778,000 shares of HK$0.10 each (L)	64.01
	Beneficial owner	500,000 shares of HK$0.10 each (L)	0.03

Notes:

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

2. 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.

Saved as disclosed above, as at 30 June 2013, no person, other than the directors and chief executive of the Company whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the shares or underlying shares of the Company as recorded in the register that was required to be kept by the Company pursuant to section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

The Company is committed to ensuring high standard of corporate governance for the interests of 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 June 2013.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"). Based on 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.

DISCLOSURE OF ADDITIONAL INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls with written terms of reference in compliance with the CG Code provisions. The Audit Committee comprises three independent non-executive Directors. The chairman of the Audit Committee is Mr. Chan Yuk Tong. The other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Gao Yunchun.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors 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 not been audited, but have been reviewed by the Company's auditors, Ernst & Young, and the Audit Committee.

NOMINATION COMMITTEE

In compliance with the CG Code, the Company established its nomination committee ("Nomination Committee") with a majority of the members thereof being independent non-executive Directors. The Nomination Committee comprises an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, Mr. Chan Yuk Tong and Mr. Ho Lic Ki. Mr. Kong Zhanpeng is the chairman of the Nomination Committee. The duties of the Nomination Committee are, among others, to review 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.

REMUNERATION COMMITTEE

The members of the remuneration committee ("Remuneration Committee") include an executive Director, Mr. Kong Zhanpeng and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Gao Yunchun. Mr. Ho Lic Ki is the chairman of the remuneration committee. The duties of the remuneration committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management and to review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time.

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 Group's compliance with relevant requirements under the CG Code, or other laws, regulations, rules and codes as may be applicable to the Group. The Corporate Governance Committee comprises of one executive Director and two independent non-executive Directors. The chairman of the Corporate Governance Committee is Mr. Chan Yuk Tong. The other members of the Corporate Governance Committee are Mr. Ho Lic Ki and Mr. Lee Chi Yung.

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 six months ended 30 June 2013.

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

As at the date of this report, the continuing connected transactions executive committee ("CCT Executive Committee") comprises two executive Directors, namely Mr. Lee Chi Yung and Mr. Zhang Fazheng, which is responsible for monitoring, review and management of 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 continuing connected transactions report and submitting the same to CCT Supervisory Committee (as defined below) on regular basis.

During the Period, the CCT Executive Committee held six meetings.

CCT SUPERVISORY COMMITTEE

The CCT supervisory committee ("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 ("Prescribed Guidelines") from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with GBT Group will be entered into in accordance with the respective agreements ("Master Agreement") entered into between the Group and the GBT Group, on normal commercial terms 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 from the GBT Group by the Group and the sale of corn sweeteners, corn starch and corn steep liquor by the Group to the GBT Group ("Proposed Sale and Purchase") as to whether they have been proceeded with in accordance with the Prescribed Guidelines (the "CCT Quarterly Report");

(3) in respect of the provision of utility services (the "Utility Services") by the GBT Group to the Group, to review the CCT Quarterly Report 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;

(4) in respect of the sales agency service (the "Sales Agency Services") by the GBT Group to the Group, to review the CCT Quarterly Report from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the half-year period ended 30 June or 31 December, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group; and

(5) to report its findings on review of the CCT Quarterly Report 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 from the GBT Group, or sell corn sweeteners to the GBT Group, or obtain the relevant utility services or sales agency services from the GBT Group, unless the GBT Group shall agree that the purchase/selling prices and fees payable and other commercial terms for these transactions shall be determined in the manner as prescribed under the Prescribed Guidelines.

(2) in respect of the purchase of corn starch from the GBT Group in slurry form:

(i) for the Group's purchase of corn starch in slurry form from the GBT Group for any particular calendar month (the "Relevant Month"), the CCT Executive Committee shall obtain the then quotations and other major commercial terms (including credit terms offered) for supply of corn starch of comparable specifications and quantities in slurry form from at least one (or such number as may be required by the CCT Supervisory Committee from time to time) independent supplier by the end of the month immediately prior to the Relevant Month. The CCT Executive Committee shall, prior to the end of the Relevant Month and in any event on or before the price determination date as referred to in paragraph (iv) below, obtain the then quotations and major commercial terms from independent supplier(s) for supply of corn starch;

(ii) if the quotations for supply of corn starch in slurry form obtained from the independent supplier(s) are exclusive of any of transportation, storage and/or insurance cost, the CCT Executive Committee shall estimate the additional unit cost to be incurred by the Group (whether by itself or through independent service provider(s)) in order for the Group to purchase the corn starch from such independent supplier(s) with supporting evidence ("Estimated Cost");

(iii) the CCT Executive Committee shall obtain from the GBT Group the average unit selling price and other major commercial terms (including credit terms offered) for supply of corn starch of comparable quantities and specifications by the GBT Group to its independent customers during the Relevant Month up to the price determination date as referred to in paragraph (iv) below; and

(iv) the total purchase price and the commercial terms in respect of corn starch supplied by the GBT Group in slurry form to the Group during the Relevant Month shall be calculated within five business days prior to the end of the Relevant Month, which shall be determined by the CCT Executive Committee by using the lower of (a) the average unit selling price as referred to in paragraph (iii) above, 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; and (b) the quotations from independent supplier(s) as referred to in paragraph (i) above plus the Estimated Cost (where applicable) for the Relevant Month, as the unit purchase price, and the most favourable terms to the Group among the commercial terms as referred to in paragraphs (i) and (iii) above as the terms of the purchase of corn starch from the GBT Group in slurry form for the Relevant Month.

(3) in respect of sales of corn sweeteners to the GBT Group for the Relevant Month, the unit selling price and other commercial terms in respect of corn sweeteners supplied by the Group to the GBT Group during the Relevant Month shall be determined by the CCT Executive Committee within five business days prior to the end of the Relevant Month in the following manner:

(i) the CCT Executive Committee shall obtain market information regarding the market unit price of corn sweeteners of comparable specification and quantities for the Relevant Month;

(ii) if there is insufficient information on market unit price available, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to independent customers for sales of corn sweeteners of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (3) above;

(iii) where the above market unit pricing information or the unit selling price offered to independent customers relate to corn sweeteners of different specifications, the CCT Executive Committee shall make a detailed analysis as to how the unit selling prices should be determined with reference to the above market unit pricing information or the unit selling price offered by the Group to independent customers to ensure that the proposed selling price of corn sweeteners with such particular specifications is fair and reasonable and on normal commercial terms.

(4) in respect of sales of corn starch and corn steep liquor to the GBT Group for the Relevant Month, the unit selling price and other commercial terms in respect of corn starch and corn steep liquor supplied by the Group to the GBT Group during the Relevant Month shall be determined by the CCT Executive Committee within five business days prior to the end of the Relevant Month in the following manner:

(i) the CCT Executive Committee shall obtain market information regarding the market unit price of corn starch and corn steep liquor of comparable specification and quantities for the Relevant Month;

(ii) if there is insufficient information on market unit price available, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to independent customers for sales of corn starch and corn steep liquor of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (4) above;

(iii) if there is insufficient information on market unit price available, and the Group has not sold corn starch and corn steep liquor of comparable specifications and quantities to independent customers for the Relevant Month, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by independent suppliers to the Group for purchase of corn starch and corn steep liquor of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (4) above;

(iv) where the above market unit pricing information or the unit selling price offered to independent customers or unit selling price offered by independent suppliers relate to corn starch and corn steep liquor of different specifications, the CCT Executive Committee shall make a detailed analysis as to how the unit selling prices should be determined with reference to the above market unit pricing information or the unit selling price offered by the Group to independent customers or the unit selling price offered by independent suppliers to the Group to ensure that the proposed selling price of corn starch and corn steep liquor with such particular specifications is fair and reasonable and on normal commercial terms.

(5) 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 purchase of corn starch from, and the sales of corn sweeteners, corn starch and corn steep liquor to, the GBT Group during the quarter.

(6) in the event that there is any deviation from the terms of the relevant Master Agreements and/or any non-compliance of the Prescribed Guidelines in respect of any continuing connected transactions entered into by any member of the Group during the period covered by the quarterly or, in respect of the sales agency services from the GBT Group only, half-yearly report (including but not limited to non-compliance of the pricing basis), 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.

(7) the auditors of the Group will be engaged to review the CCT (other than the sales agency services from the GBT Group) on a quarterly basis, and the sales agency services from the GBT Group on a semi-annual 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.38 of the Listing Rules.

Two meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Sale and Purchase, the Utility Services and the Sales Agency Services entered into by the Group with the GBT Group during the Period. Details of findings have been published on 15 May 2013 and 22 August 2013. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase 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 and the Sales Agency Services rendered during the Period had been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

The following share options were outstanding under the Scheme of the Company during the Period:

Participants	Number of share options at 1 January 2013 and at 30 June 2013	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options HK$ per share	Closing price immediately before the grant date HK$ per share
Kong Zhanpeng	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Zhang Fazheng	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Xu Zhouwen*	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Lee Chi Yung	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Chan Yuk Tong	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees	3,400,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participant	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Total	31,400,000					

* Mr. Xu Zhouwen passed away on 20 August 2012 and all his share options had lapsed on 19 August 2013.

As at the date of this report, the options granted to subscribe for 25,400,000 Shares remained outstanding, representing approximately 1.66% of the issued share capital of the Company at that date. No options to subscribe for Shares have been granted, exercised, lapsed or cancelled during the Period.

DISCLOSURES PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

As recommended by the Remuneration Committee of the Company on 29 August 2013 and approved by the Board on 29 August 2013, the monthly salary of Mr. Zhang Fazheng payable under the service agreement entered into between the Company and Mr. Zhang Fazheng dated 1 June 2008 has been increased to HK$120,000 per month with effect from 1 August 2013.

In addition, Mr. Chan Yuk Tong, an independent non-executive Director of the Company, has resigned as an independent non-executive director of BYD Electronic (International) Company Limited, a listed company in Hong Kong, on 7 June 2013; resigned as an independent non-executive director of Daisho Microline Holdings Limited, another listed company in Hong Kong on 26 August 2013; resigned as an independent non-executive director of Xinhua Winshare Publishing and Media Co., Ltd., also a listed company in Hong Kong, on 10 July 2013; and resigned as an independent non-executive director of another listed company, Trauson Holdings Company Limited, on 15 July 2013, due to such company being delisted.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Building a better working world

To the board of directors
Global Sweeteners Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 44 which comprises the condensed consolidated statement of financial position as at 30 June 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 August 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	4	**2,095,321**	2,260,746
Cost of sales		**(1,996,912)**	(2,079,486)
GROSS PROFIT		**98,409**	181,260
Other income and gains	4	**13,955**	35,764
Selling and distribution expenses		**(107,147)**	(117,105)
Administrative expenses		**(51,004)**	(49,632)
Other expenses		**(96)**	(150)
Finance costs	5	**(54,060)**	(70,558)
Share of losses of joint ventures		**—**	(1,324)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(99,943)**	(21,745)
Income tax expense	7	**(7,345)**	(11,093)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(107,288)**	(32,838)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	8	**(2,377)**	(78,268)
LOSS FOR THE PERIOD		**(109,665)**	(111,106)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of financial statements of operations outside Hong Kong		**21,260**	—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(88,405)**	(111,106)
LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(109,546)**	(107,055)
Non-controlling interests		**(119)**	(4,051)
		(109,665)	(111,106)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(88,212)**	(107,055)
Non-controlling interests		**(193)**	(4,051)
		(88,405)	(111,106)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For loss for the period		**HK(7.17) cents**	HK(7.01) cents
— For loss from continuing operations		**HK(7.02) cents**	HK(2.14) cents
Diluted			
— For loss for the period		**HK(7.17) cents**	HK(7.01) cents
— For loss from continuing operations		**HK(7.02) cents**	HK(2.14) cents

Details of the dividends proposed for the period are disclosed in note 10 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2013

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**1,613,962**	1,612,495
Prepaid land lease payments		**222,225**	223,864
Deposits paid for acquisition of property, plant and equipment		**11,197**	23,810
Goodwill		**183,538**	183,538
Other intangible assets		**3,243**	3,243
Deferred tax assets		**2,047**	2,022
Total non-current assets		**2,036,212**	2,048,972
CURRENT ASSETS			
Inventories	12	**1,469,089**	1,065,427
Trade and bills receivables	13	**485,112**	597,585
Prepayments, deposits and other receivables	14	**471,323**	296,504
Due from the immediate holding company	20(c)	**21,516**	21,408
Due from fellow subsidiaries	20(c)	**276,324**	645,895
Pledged deposits		**60,000**	—
Cash and cash equivalents		**470,077**	557,551
Total current assets		**3,253,441**	3,184,370
CURRENT LIABILITIES			
Trade and bills payables	15	**527,525**	78,018
Other payables and accruals		**213,214**	177,675
Interest-bearing bank borrowings	16	**1,673,012**	1,478,642
Due to fellow subsidiaries	20(c)	**447,242**	688,736
Due to the ultimate holding company	20(c)	**28,587**	26,739
Tax payable		**26,764**	27,729
Total current liabilities		**2,916,344**	2,477,539
NET CURRENT ASSETS		**337,097**	706,831
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,373,309**	2,755,803
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	16	**25,603**	323,025
Deferred tax liabilities		**111,029**	107,696
Deferred income		**1,128**	1,128
Total non-current liabilities		**137,760**	431,849
Net assets		**2,235,549**	2,323,954
EQUITY			
Equity attributable to owners of the parent			
Issued capital	17	**152,759**	152,759
Reserves		**2,088,761**	2,176,973
		2,241,520	2,329,732
Non-controlling interests		**(5,971)**	(5,778)
Total equity		**2,235,549**	2,323,954

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2012 and 1 January 2013	152,759	1,074,879	63,025	123,113	276,882	18,526	620,548	2,329,732	(5,778)	2,323,954
Loss for the period	–	–	–	–	–	–	(109,546)	(109,546)	(119)	(109,665)
Other comprehensive income for the period:										
Exchange realignment	–	–	–	–	21,334	–	–	21,334	(74)	21,260
Total comprehensive loss for the period	–	–	–	–	21,334	–	(109,546)	(88,212)	(193)	(88,405)
At 30 June 2013 (Unaudited)	152,759	1,074,879*	63,025*	123,113*	298,216*	18,526*	511,002*	2,241,520	(5,971)	2,235,549

* These reserve accounts comprise the consolidated reserves of the Group of HK$2,088,761,000 (unaudited) (31 December 2012: HK$2,176,973,000) in the condensed consolidated statement of financial position.

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2011 and 1 January 2012	152,759	1,074,879	63,444	119,192	264,166	18,526	869,877	2,562,843	90	2,562,933
Loss and total comprehensive loss for the period	–	–	–	–	–	–	(107,055)	(107,055)	(4,051)	(111,106)
Reclassification	–	–	(419)	–	(12,582)	–	419	(12,582)	–	(12,582)
Non-controlling interest arising on a business combination	–	–	–	–	–	–	–	–	7,746	7,746
At 30 June 2012 (Unaudited)	152,759	1,074,879	63,025	119,192	251,584	18,526	763,241	2,443,206	3,785	2,446,991

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Net cash flows from operating activities	19,904	56,075
Net cash flows from/(used in) investing activities	(41,018)	34,891
Net cash flows used in financing activities	(11,393)	(33,402)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(32,507)	57,564
Cash and cash equivalents at beginning of period	557,551	496,816
Effect of foreign exchange rate changes, net	5,033	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	530,077	554,380
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	417,293	502,080
Non-pledged time deposits with original maturity of less than three months when acquired	52,784	52,300
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	470,077	554,380
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of bills payable	60,000	—
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	530,077	554,380

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") for the six months ended 30 June 2013 are authorised for issue in accordance with a resolution of the directors (the "Directors") passed on 29 August 2013.

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 registered office address 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 in Hong Kong is located at Unit 2403, Admiralty Centre, Tower II, No. 18 Harcourt Road, Hong Kong. The Group was principally engaged in the manufacture and sale of corn refined products and corn-based sweetener products. There were no 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 (the "immediate holding company" or "Global Corn Bio-chem"), 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 (the "ultimate holding company"), 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

Basis of preparation

The interim condensed consolidated financial statements 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 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 financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

As at 30 June 2013, the Group was unable to comply with certain of the financial covenants of a long term bank loan of RMB200 million (equivalent to HK$250 million) ("1st Loan") and another short term bank loan of RMB200 million (equivalent to HK$250 million) ("2nd Loan"). The breach of covenants of the 1st Loan and the 2nd Loan had triggered cross default of two other short term bank loans (the "3rd Loans") in the aggregate principal amount of RMB380 million (equivalent to HK$475 million). All of the 1st Loan, 2nd Loan and 3rd Loans were classified as short term bank borrowings as at the end of the reporting period. Subsequent to the end of the reporting period, in August 2013, the Group repaid the 1st Loan in full and the related loan agreement had been terminated since then. With respect to the 2nd Loan, the Group obtained a written confirmation from the bank for the relaxation and adjustment of the breached financial covenant. The Directors of the Company considered that as the Group has ceased to be in material breach of the loan agreements related to the 1st Loan and the 2nd Loan, the Group has ceased to be in breach of the cross default provisions of the 3rd Loans at the date of this report.

The Directors considered that the Group's inability to comply with such covenants will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these financial statements have been prepared on a going concern basis.

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

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2012. The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of amendments to HKAS 1, amendments to HKFRS 7 and *Annual Improvements 2009-2011 Cycle*, the adoption of these new and revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

The HKAS 1 Amendments introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial instruments: Presentation.* The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The amendments affected disclosure only and had no impact on the Group's financial position or performance.

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

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs, among which, HKAS 34 clarifies the requirements relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). As a result, the Group now also includes disclosure of total segment assets and segment liabilities as these are reported to the CODM.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim condensed consolidated financial statements:

HKFRS 9	*Financial Instruments*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial instruments: Recognition and measurement — Novation Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)–Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

The management is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Company considers that these new and revised HKFRSs are unlikely to have a significant impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

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

(ii) the corn based sweetener products segment engages in the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup, crystallised glucose and maltodextrin.

The management monitors the results of its 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 profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that bank interest income and finance costs as well as corporate gains and expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

3. SEGMENT INFORMATION *(continued)*

Segment liabilities exclude interest-bearing bank borrowings, the amount due to the ultimate holding company and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

The Group's revenue is derived from customers based in the mainland of the People's Republic of China ("Mainland China") and in regions other than Mainland China. The geographical information is another basis on which the Group reports its segment information.

On 21 December 2012, the Company announced the decision of the Directors to exit its retail beef business. Accordingly, the retail beef business was treated as a discontinued operation and was not included in the segment information.

(a) Business units information

	Corn refined products		Corn based sweetener products		Total	
	Six months ended 30 June					
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
Segment revenue:						
Sales to external customers	977,669	996,282	1,117,652	1,264,464	2,095,321	2,260,746
Intersegment sales	266,066	192,225	–	–	266,066	192,225
	1,243,735	1,188,507	1,117,652	1,264,464	2,361,387	2,452,971
Reconciliation:						
Elimination of intersegment sales					(266,066)	(192,225)
Revenue from continuing operations					2,095,321	2,260,746
Segment results	(59,430)	(39,052)	5,321	53,200	(54,109)	14,148
Reconciliation:						
Bank interest income					1,210	1,100
Unallocated gains					12,745	34,664
Corporate and other unallocated expenses					(5,729)	(1,099)
Finance costs					(54,060)	(70,558)
Loss before tax from continuing operations					(99,943)	(21,745)

3. SEGMENT INFORMATION *(continued)*

(a) Business units information *(continued)*

	Corn refined products		Corn based sweetener products		Total	
	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000	30 June 2013 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Segment assets	2,367,853	2,298,973	2,092,864	2,049,536	4,460,717	4,348,509
Reconciliation:						
Elimination of intersegment receivables					(37,334)	(123,110)
Cash and cash equivalents and pledged deposits					530,077	557,551
Corporate and other unallocated assets					328,137	443,707
Assets related to a discontinued operation					8,056	6,685
Total assets					5,289,653	5,233,342
Segment liabilities	657,664	626,678	355,846	276,000	1,013,510	902,678
Reconciliation:						
Elimination of intersegment payables					(37,334)	(123,110)
Interest-bearing bank borrowings					1,698,615	1,801,667
Corporate and unallocated liabilities					378,139	326,991
Liabilities related to a discontinued operation					1,174	1,162
Total liabilities					3,054,104	2,909,388

(b) Geographical information

	Mainland China		Regions other than Mainland China Six months ended 30 June		Consolidated	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
Segment revenue:						
Sales to external customers	1,960,903	2,164,531	134,418	96,215	2,095,321	2,260,746

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of other income and gains from continuing operations is as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
Other income		
Bank interest income	1,210	1,100
Sales of scrap and raw materials	8,842	7,368
Exchange gains	250	1,181
Government grants*	1,742	728
Others	1,911	1,036
	13,955	11,413
Gains		
Gain on bargain purchase	–	13,479
Exchange differences reclassified from reserves when the joint ventures became subsidiaries	–	12,582
Fair value loss of investments in joint ventures	–	(1,710)
	–	24,351
	13,955	35,764

* Government grants during the period represented government rewards awarded to some subsidiaries located in Mainland China.

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Interest on bank loans:		
Wholly repayable within five years	55,310	67,961
Finance costs for discounted bills receivable	900	4,510
Less: interest capitalised	(2,150)	(1,913)
	54,060	70,558

6. LOSS BEFORE TAX

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

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000 (Restated)
Raw materials and consumables used		**1,622,352**	1,734,837
Depreciation		**72,684**	69,479
Amortisation of prepaid land lease payments		**3,803**	3,534
Employee benefits expense		**39,427**	34,665
Foreign exchange differences, net		**(250)**	(1,181)
Impairment of trade receivables	13	**6**	—
Reversal of impairment of trade receivables	13	**(449)**	(13)
Write-down of inventories to net realisable value		**12,466**	2,026
Fair value loss of investments in joint ventures		**—**	1,710

7. INCOME TAX EXPENSE

	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Current – Hong Kong	**—**	—
Current – Mainland China	**4,790**	9,906
Deferred	**2,555**	1,187
Tax charge for the period	**7,345**	11,093

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

The statutory tax rate for all subsidiaries in Mainland China was 25% for the six months ended 30 June 2013 (2012: 25%).

8. DISCONTINUED OPERATION

On 21 December 2012, the Company announced the decision of the Directors to exit its retail beef business in order to eliminate the risks of quality assurance in view of the tightening food safety policy in Mainland China and enable the Group to channel its resources to the core corn based business.

The results of the retail beef business for the period are presented below:

	Six months ended 30 June	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Revenue	—	3,107
Cost of sales	—	(18,374)
Other income	—	3
Selling and distribution expenses	—	(480)
Administrative expenses	(2,377)	(4,632)
Other expenses	—	(57,892)
Loss before tax from the discontinued operation	(2,377)	(78,268)
Income tax	—	—
Loss for the period from the discontinued operation	(2,377)	(78,268)

The net cash flows incurred by the discontinued operation are as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Operating activities	(17)	4,662
Investing activities	—	(1,298)
Financing activities	—	(8,713)
Net cash outflow	(17)	(5,349)
Loss per share:		
Basic, from the discontinued operation	HK(0.15) cents	HK(4.87) cents
Diluted, from the discontinued operation	HK(0.15) cents	HK(4.87) cents

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share for the period ended 30 June 2013 is based on the consolidated loss for the period attributable to ordinary equity holders of the parent of approximately HK$109,546,000 (six months ended 30 June 2012: HK$107,055,000) and the weighted average number of ordinary shares in issue during the period of 1,527,586,000 (six months ended 30 June 2012: 1,527,586,000).

No adjustment has been made to the basic loss per share amounts for the period ended 30 June 2013 and 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

10. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
At 1 January 2013/1 January 2012		**1,612,495**	1,611,046
Additions		**55,587**	111,204
Obtaining control over joint ventures		**—**	28,520
Disposals		**(801)**	(6,805)
Depreciation	6	**(72,684)**	(142,684)
Exchange realignment		**19,365**	19,463
Impairment		**—**	(8,249)
At 30 June 2013/31 December 2012		**1,613,962**	1,612,495

12. INVENTORIES

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Raw materials	**1,287,379**	931,002
Finished goods	**181,710**	134,425
Total	**1,469,089**	1,065,427

As at 30 June 2013, certain inventories were written down to net realisable value which amounted to approximately HK$75,889,000 (31 December 2012: HK$57,691,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Trade receivables	484,233	492,852
Bills receivable	83,669	186,938
Impairment	(82,790)	(82,205)
Total	485,112	597,585

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days were allowed to some major customers with long term business relationship and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

Trade receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade receivables from one customer located in Mainland China which accounted for 16% of the total trade and bills receivables as at 30 June 2013 (31 December 2012: three customers accounted for 26%).

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

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Within 1 month	203,508	223,500
1 to 2 months	163,334	184,826
2 to 3 months	48,289	79,331
Over 3 months	69,981	109,928
Total	485,112	597,585

The movements in provision for impairment of trade receivables are as follows:

	Notes	2013 (Unaudited) HK$'000	2012 (Audited) HK$'000
At 1 January 2013/1 January 2012		82,205	12,703
Impairment losses recognised	6	6	69,376
Impairment losses reversed	6	(449)	(31)
Exchange realignment		1,028	157
At 30 June 2013/31 December 2012		82,790	82,205

13. TRADE AND BILLS RECEIVABLES *(continued)*

The aged analysis of the trade and bills receivables that are not individually or collectively considered to be impaired is as follows:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Neither past due nor impaired	441,717	547,661
Less than 1 month past due	12,463	19,466
1 to 3 months past due	16,024	18,573
Over 3 months past due	14,908	11,885
Total	485,112	597,585

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2013, included in prepayments, deposits and other receivables, HK$325 million was prepaid to a corn kernel supplier, which is a company beneficially owned by the staff union of the Group's PRC employees (the "Union Company"). Since none of the directors nor senior management has taken part in the operations of the Union Company, and none of the Company's directors could exercise control or significant influence over the Union Company, in the opinion of the Directors, the Union Company is not regarded as a related party to the Group under the definition of HKAS 24.

15. TRADE AND BILLS PAYABLES

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Trade payables	227,525	78,018
Bills payable	300,000	—
Total	527,525	78,018

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, except for the purchase of corn kernels from farmers, which is normally settled on a cash basis. The carrying amounts of trade payables approximate to their fair values.

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Within 1 month	481,107	55,178
1 to 2 months	18,771	12,693
2 to 3 months	5,190	4,594
Over 3 months	22,457	5,553
Total	527,525	78,018

As at 30 June 2013, the Group's bills payable were secured by time deposits of HK$60,000,000.

16. INTEREST-BEARING BANK BORROWINGS

Group	30 June 2013 Effective interest rate %	30 June 2013 Maturity	30 June 2013 HK$'000	31 December 2012 Effective interest rate %	31 December 2012 Maturity	31 December 2012 HK$'000
Current						
Bank loans — unsecured	4.03-6.65/ HIBOR	On demand/ 2013/2014	1,423,012	3.15-7.07/ HIBOR	On demand/ 2013	1,171,728
Long term bank loans repayable on demand — unsecured	7.07	On demand	250,000	3.85-7.07	On demand	306,914
Non-current						
Bank loan — unsecured	3.73-7.32	2014/2015	25,603	3.73-7.32	2014/2015	323,025
			1,698,615			1,801,667

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,673,012	1,478,642
In the second year	25,603	310,680
In the third to fifth years	—	12,345
	1,698,615	1,801,667

The carrying amounts of bank borrowings approximated to their fair values.

At 30 June 2013, the Group's bank borrowings were guaranteed by the Company, the Company's ultimate holding company and certain subsidiaries of the Group with the amounts of approximately HK$1,253,615,000 (31 December 2012: HK$1,015,618,000), HK$250,000,000 (31 December 2012: HK$592,593,000) and HK$125,000,000 (31 December 2012: HK$123,457,000) respectively.

As referred to in note 2 to the interim financial statements, as at 30 June 2013, certain subsidiaries of the Group were unable to comply with certain of the financial covenants of interest-bearing bank borrowings.

17. SHARE CAPITAL

The following is a summary of the authorised and issued share capital of the Company:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Authorised: 100,000,000,000 (31 December 2012: 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 2012: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period.

The Company provided guarantees for banking facilities granted to certain subsidiaries. These subsidiaries utilised the banking facilities to the extent of about HK$1,253,615,000 as at 30 June 2013 (31 December 2012: HK$1,015,618,000).

19. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Contracted, but not provided for:		
Leasehold buildings	**19,885**	19,886
Plant and machinery	**7,069**	19,201
	26,954	39,087

20. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the period, the following related party transactions were noted:

	Notes	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Purchases from fellow subsidiaries			
— corn starch	(i)	—	109,310
Sales to fellow subsidiaries			
— corn sweeteners	(ii)	275,063	347,825
— corn starch and corn steep liquor	(ii)	57,882	—
Reimbursement of cost of utilities provided by a fellow subsidiary	(iii)	100,349	103,922
Agency fee charged by a fellow subsidiary	(iv)	1,888	5,375

(i) The Group sourced corn starch from fellow subsidiaries. These purchases were made at prices based on the mutual agreements between the parties.

(ii) The Group sold corn sweetener products, corn starch and corn steep liquor to fellow subsidiaries. These sales were made at prices mutually agreed between the parties.

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

(iv) The agency fee was paid to a fellow subsidiary who acted as a sales agent on behalf of the Group. The fee was charged at prices based on mutual agreement between the parties.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June 2013 (Unaudited) HK$'000	2012 (Unaudited) HK$'000
Short term employee benefits	2,790	2,790
Post-employment benefits	15	12
Total compensation paid to key management personnel	2,805	2,802

(c) Balances with the related parties

Balances with the ultimate holding company, immediate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances approximate to their fair values.

21. FINANCIAL INSTRUMENTS

(a) Fair value measurement

The Group did not have any financial assets or financial liabilities measured at fair value as at 30 June 2013. The carrying amounts of the Group's financial instruments recorded at amortised cost in the financial statements approximated to their fair values as at 30 June 2013.

(b) Offsetting of financial instruments

During the period, the Group entered into set-off agreements in respect of the balances due from/ to its fellow subsidiaries. The agreements provided the Group conditional rights of set-off that are enforceable and exercisable only in the event of default.

Financial instruments subject to offsetting, enforceable master netting arrangements are set out as follows:

As at 30 June 2013

	Gross amounts of recognised financial assets/ (liabilities) HK$'000	Gross amounts set off in the financial position HK$'000	Net amounts presented in the condensed consolidated statement of financial position HK$'000
Due from fellow subsidiaries	742,517	(466,193)	276,324
Due to fellow subsidiaries	(913,435)	466,193	(447,242)

22. COMPARATIVE AMOUNTS

The comparative condensed consolidated statement of comprehensive income has been represented as if the operation discontinued during the second half of 2012 had been discontinued at the beginning of the comparative period (note 8).