大成糖業控股有限公司*

GLOBAL Sweeteners Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03889

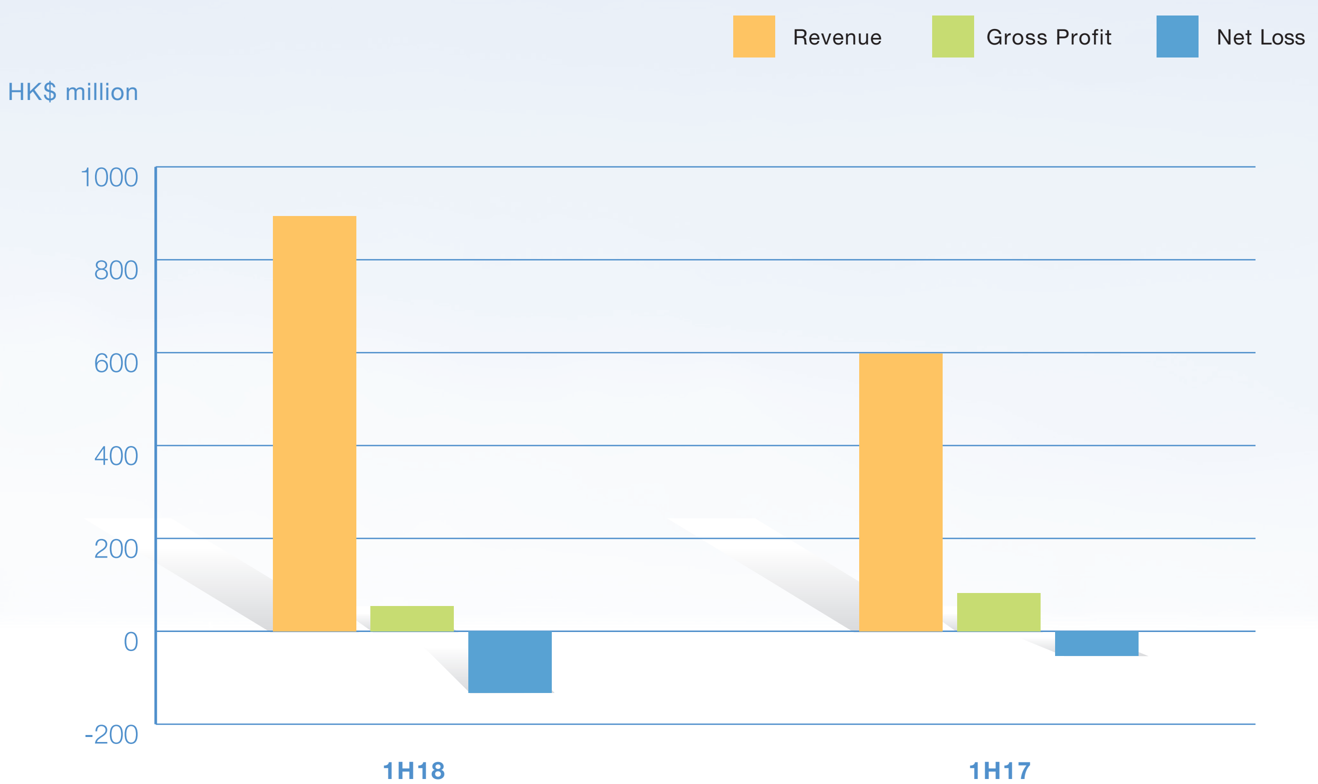
2018 INTERIM REPORT

* For identification purpose only

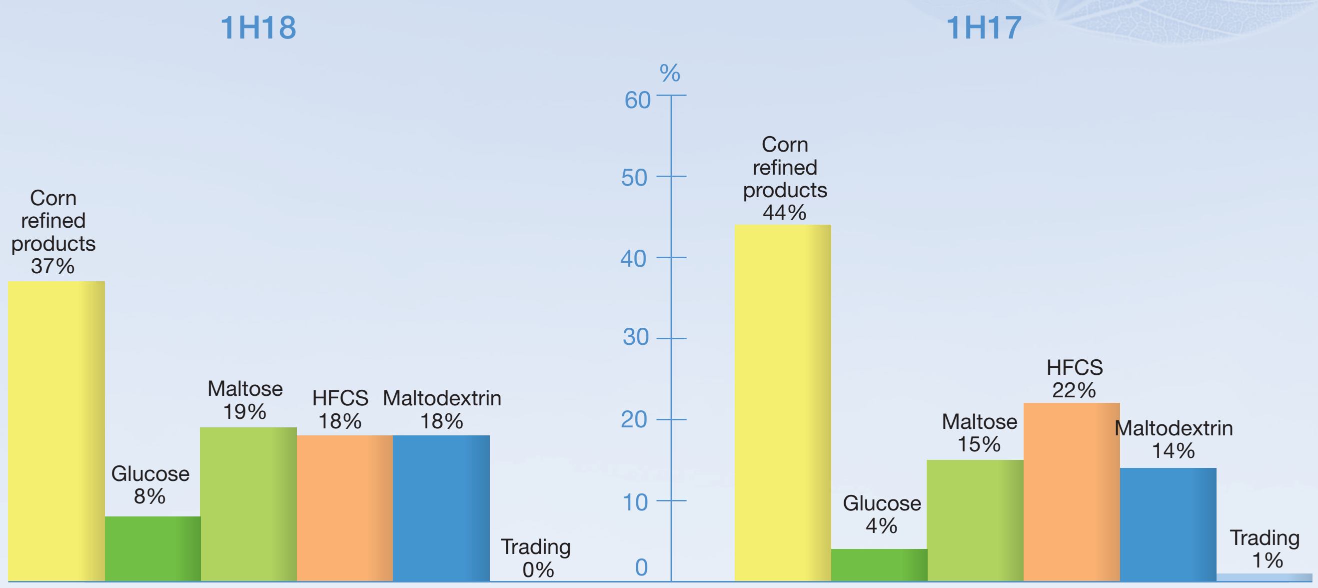
CONTENTS

FINANCIAL HIGHLIGHTS

	Six months ended 30 June (Unaudited) 2018 (HK$ million)	2017 (HK$ million)	Change %
Revenue	**894.5**	597.7	49.7
Gross profit	**56.8**	82.7	(31.3)
Loss before tax	**(132.0)**	(51.4)	N/A
Loss for the period	**(132.8)**	(53.5)	N/A
Basic loss per share (HK cents)	**(8.7)**	(3.5)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A



REVENUE DISTRIBUTION



GROSS PROFIT/(LOSS) DISTRIBUTION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kong Zhanpeng *(Chairman)*
Mr. Zhang Zihua

Independent non-executive Directors

Mr. Ho Lic Ki
Mr. Lo Kwing Yu
Mr. Yuen Tsz Chun

COMPANY SECRETARY

Ms. Hui Ka Man, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
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18 Harcourt Road
Hong Kong

Effective from 14 September 2018
Suite 2202-04, 22/F
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

AUDITOR

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

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.global-sweeteners.com

STOCK CODE

03889

Dear shareholders,

During the period under review, following the rising cost of raw materials in the second half of last year subsequent to the expiry of the corn procurement subsidies programme from the provincial governments in northeast China, and due to the increase in corn price as a result of the improved upstream market sentiment during the Period, the Group's corn procurement cost surged by 26%. On the other hand, the increase in the price of corn refined products could not cover the surge in corn procurement cost. This has posed immense pressure on the upstream and downstream businesses, leading to a significant increase in the Group's net loss year-on-year. In addition, various costs and interest expenses of the Group remained high during the Period, which inevitably affected the Group's operation efficiency.

BUSINESS REVIEW

Corn production in China dropped slightly to 210 million MT in the 2017/18 harvest; in addition to the improved market sentiment in the upstream industry during the Period, domestic corn price increased to approximately RMB1,727 per MT at the end of June 2018, from RMB1,656 per MT last year; together with the expiry of the provincial corn procurement subsidies programme by the end of April 2017, the Group's cost of raw materials increased significantly during the Period. Notwithstanding the re-introduction of the provincial corn procurement subsidies in April 2018, the subsidy amount was substantially lowered. During the Period, the amount of subsidy the Group was entitled to for the purchase of corn kernels for operation amounted to HK$1.0 million, which was substantially lowered when compared to HK$22.6 million for the same period last year. The increased corn cost had put pressure on the performance of the Group's upstream business.

The Group's upstream business is an essential part of its overall business operations which secures the supply of corn starch for the production of downstream products. In view of this, Nongtou, the indirect controlling shareholder of the Group, entered into a master supply agreement with the Group via Jiliang, an indirect wholly owned subsidiary of Nongtou, to ensure a stable supply of corn for the Group. Such arrangement provides direct support to the Group's operations and eases the pressure on the Group's cash flow through the longer credit period granted by Jiliang.

In the PRC, domestic sugar production increased by nearly 13% to 10.5 million MT in the 2017/18 harvest with expanded sugarbeet and sugarcane acreage, leading to a drop in domestic sugar prices during the Period. Despite the drop in domestic sugar prices, imported sugar remained highly competitive as the huge difference between international sugar price and domestic sugar price persisted. As such, the government has implemented a series of measures, including raising import tariff for sugar imports without quota from major supplying countries to protect cane sugar and beet sugar producers. Over the years, the industry's effort to promote the use of corn sweeteners has contributed to a mature and stable consumer base for corn sweeteners market and customers have become accustomed to using corn sweeteners in a variety of products. Although sugar price fluctuations will still affect sweetener prices to certain extent, their impact on sales volume has gradually reduced with the development of the corn sweetener market.

With the completion and commencement of the Group's sweeteners production facilities in Xinglongshan, the sales volume of the Group's sweetener products increased during the Period. The Group's Shanghai production base maintained sound operation and continued to run at full capacity during the Period. Sales of high fructose corn syrup and packaged sweetener products for retail distribution remained satisfactory, and continued to provide profit contribution and steady cash flow to the Group. As a multi-functional platform of the Group, the Shanghai base of the Group is also the sole distributor of GBT's amino acid products in the Huadong region. Such arrangement has synergistic effects on increasing the market penetration of the Group's products in the Huadong region, the PRC and consolidating the product brand.

During the Period, the revenue and gross profit of the sweetener segment increased by 70% and 44%, respectively, due to the increase in the sales volume of downstream corn sweeteners. Nevertheless, as a result of increased corn cost and decreased sweeteners prices due to the decline in sugar prices, the gross profit margin of corn sweeteners dropped to 13%. Notwithstanding the decline in gross profit margin, the overall performance of the Group's downstream sweeteners during the Period was satisfactory.

MESSAGE TO SHAREHOLDERS

OUTLOOK

The price of corn kernels, being one of the major agricultural products in China, is affected by the direction of the state government agricultural policy from time to time. Notwithstanding the changes in the upstream operating environment, the upstream operation serves as a feedstock for the Group's downstream production, and has strategic value to the Group's operation. In light of the uncertainties posed by the trade war and the subsequent changes that will be brought to the macro-economic environment, the Group will continue to be cautious in response to changes, and will closely monitor the market movements and optimise its production scale from time to time.

The output of domestic cane sugar has picked up. This, together with the increase in sugar imports driven by the price difference between domestic sugar and international sugar, as well as destocking in the domestic market, is expected to exert pressure on sugar prices. This will in turn affect the prices of sweeteners to a certain extent. In response to this, the Group will focus on strengthening sales to high-end customers in the Huadong region, and maintain stable cash flow through increasing sales of higher margin products. At the same time, the Group will leverage on the advantages of its different locations and strive to maximise the synergistic effects with the Jinzhou production base backing the Shanghai base in serving the high-end markets.

In order to rationalise its operations and streamline its business structure, the Group entered into a sales and purchase agreement with its controlling shareholder, GBT, for the transfer of two subsidiaries of the Company in Changchun, Dihao Foodstuff and Dihao Crystal Sugar to the GBT Group. Upon the completion of the transaction, the financial position of the Group will be improved. On the one hand, the Group will be relieved from the relevant obligations arising from the financial guarantees made by Dihao Foodstuff. On the other hand, the transaction will exempt the Group from the relevant expenses for the relocation of the production facilities in Luyuan District, which will enable the Group to delegate its resources in developing other high value-added product markets.

In light of the increasing awareness of healthy diet among the Chinese consumers, the Group will fully utilise its research and development capability to develop high value-added nutrition and health products, and their application in new areas, with the aim to increase the overall gross margin. In addition, the Group will actively seek strategic alliance with international leading industry players on research and development of new products, through the introduction of advanced technology to explore new markets.

In face of global economic turbulence and the uncertainties in the industry brought by changes in policy and market demand, we streamline our business structure via the transfer of two subsidiaries of the Company in Changchun in order to improve its financial position. At the same time, we will continue to make unremitting efforts to increase the Group's operation efficiency and steer the Group through and out of the storm, and gradually get back on track.

Kong Zhanpeng
Chairman

29 August 2018

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (maltodextrin). The Group is also the sole distributor of Global Bio-chem Technology Group Company Limited ("GBT", and together with its subsidiaries, the "GBT Group") in the Huadong region in the People's Republic of China (the "PRC" or "China"), selling their lysine and other corn refined products.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Financial Statements") had been subject to a disclaimer of opinion of the auditor of the Company on the basis as set out in the paragraph headed "Basis for disclaimer of opinion" in the independent auditor's report in the Company's annual report for the year ended 31 December 2017 ("2017 Annual Report"). Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the 2017 Annual Report, the management of the Company wishes to update on certain remedial measures taken by the management during the six months ended 30 June 2018 ("the Period"):

1. Financial guarantees contracts

As disclosed in the joint announcement of the Company and GBT dated 8 December 2017 and the circular of the Company dated 17 January 2018, the term of the loan ("Previous Supplier Loan") granted by Bank of China ("BOC") to Changchun Dajincang Corn Procurement Ltd.（長春大金倉玉米收儲有限公司）("Dajincang") under certain loan agreements entered into between Dajincang and BOC in 2016 and 2017 ("Previous Supplier Loan Agreements") with an aggregate principal amount of RMB2.49 billion had expired in September 2017, and Dajincang still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for all indebtedness due and owing to BOC ("New Supplier Loan"). As one of the conditions to the New Supplier Loan, a new guarantee was granted by Changchun Dihao Foodstuff Development Co., Ltd. ("Dihao Foodstuff") to BOC to guarantee the obligations of Dajincang under the New Supplier Loan ("Dihao New Supplier Guarantee"). The amount drawn down by Dajincang as at 30 June 2018 and up to the date of this report amounted to RMB2.49 billion (31 December 2017: RMB2.49 billion).

As detailed in the 2017 Annual Report, the previous supplier guarantees given by Dihao Foodstuff for the benefit of Dajincang were not recognised in the 2017 Financial Statements because the Group was unable to obtain reliable financial information of Dajincang starting from 2010 for the professional valuer to conduct an accurate valuation. During the Period, as a result of similar difficulties encountered by the Group in 2017, no valuation could be conducted.

During the Period, the Group and GBT Group have continued to negotiate with BOC to find solutions to relieve the Group from its obligation under the Dihao New Supplier Guarantee, and continued to explore other alternatives in case Dajincang fails to repay the New Supplier Loan which will consequently trigger the Group's obligations as the guarantors pursuant to the Dihao New Supplier Guarantee. In addition, a debt-equity swap proposal for the restructure of the debt of the Company's subsidiaries in Changchun was submitted to the People's Government of Jilin Province for consideration. On 26 March 2018, Mr. Yuan Weisen, the Chairman of GBT, met with the representatives of BOC on behalf of the Group and the GBT Group, and it was proposed that the Group and the GBT Group should provide a revised debt-equity swap proposal to BOC. On 2 April 2018, a revised debt-equity swap proposal was submitted to BOC for their consideration. During the Period, the management of the Company met with BOC, the People's Government of Jilin Province and the relevant professional parties on a regular basis to discuss the proposal and other alternatives to resolve the qualification in respect of the financial guarantee contract.

On 21 July 2017, the Group entered into the sale and purchase agreement (the "S&P Agreement") with GBT, for the sale of the entire equity interest in Dihao Foodstuff and Changchun Dihao Crystal Sugar Industry Development Co., Ltd. (together with Dihao Foodstuff, the "Target Companies") (the "Transaction"). Subject to the conditions set out in the S&P Agreement being fulfilled, upon the completion of the Transaction which is now expected to be on or before 31 December 2018, such financial uncertainties brought to the Group by the possible financial obligations under the Dihao New Supplier Guarantee would no longer exist, upon Dihao Foodstuff ceasing to be a member of the Group. The assessment of the amount required to be recognised in respect of the Dihao New Supplier Guarantee in the consolidated financial statements of the Group as at 31 December 2018 will thus be unnecessary. However, the auditor of the Company may still be unable to determine whether any adjustments in respect of the Dihao New Supplier Guarantee as at 31 December 2017 were necessary, which may have a significant impact on the financial position of the Group as at 31 December 2017, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ending 31 December 2018.

2. Material uncertainty relating to going concern

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

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2.2 to the interim condensed consolidated financial statements, the Board including the audit committee of the Company (the "Audit Committee"), is of the view that the Company could continue to operate as a going concern in the foreseeable future, and that the relevant disclaimer opinion may not appear in the final results for the year ending 31 December 2018. In addition, in relation to financial support from the ultimate holding entity of a major shareholder, the GBT Group and the Group had received a written confirmation dated 8 June 2018 from Jilin Agricultural Investment Group Co., Ltd（吉林省農業投資集團有限公司）("Nongtou") in which Nongtou has reassured to the GBT Group and the Group that it will continue to support the going concern of the GBT Group and the Group by using its resources and connections including financial support through loans and borrowings and operation support including supplying corn kernels to the Group.

BUSINESS REVIEW

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

During the Period, economic activities in the PRC remained resilient with GDP grown 6.8% for the first half of 2018. Domestic demand has shown signs of slow recovery. While international corn price decreased to 358 US cents per bushel (equivalent to RMB932 per metric tonnes ("MT") (end of June 2017: 426 US cents per bushel) by the end of the Period, domestic corn price increased to approximately RMB1,727 per MT (end of June 2017: RMB1,656 per MT) by the end of June 2018 in China as corn production dropped to 210 million MT (2016/17: approximately 220 million MT) in 2017/18 harvest according to the latest estimates from the Ministry of Agriculture of China. The improved market sentiment of the upstream corn-refinery industry during the Period and the expiry of the provincial corn procurement subsidies programme in end of April 2017 drove up the Group's cost of raw materials significantly during the Period. Notwithstanding the re-introduction of the provincial corn procurement subsidies in April 2018, the subsidy amount was substantially lowered. For instance, the Liaoning provincial government reduced the subsidy amount to RMB50 for qualified corn refiners for every MT of corn purchased locally as compared to RMB100 previously. During the Period, the Group was entitled to HK$1.0 million (six months ended 30 June 2017: HK$22.6 million) of subsidy for the purchase of corn kernels for its operations. The increased corn cost has put pressure on the performance of the Group's upstream business during the Period.

As for the sugar market, due to increased production in various major sugar producing countries during the 2017/18 harvest, the international sugar price dropped to 12.35 US cents per pound (equivalent to RMB1,808 per MT) (end of June 2017: 13.68 US cents per pound) by the end of June 2018. In the PRC, domestic sugar production increased by 1.2 million MT to 10.5 million MT in the 2017/18 harvest, with expanded sugarbeet and sugarcane acreage. As a result, domestic sugar price dropped by approximately 16.1% year-on-year to RMB5,580 per MT (end of June 2017: RMB6,654 per MT) by end of June 2018. The huge difference between international sugar price and domestic sugar price has increased the competitiveness of imported sugar. As such, the government has implemented a series of measures, including raising import tariff for sugar imports without quota from major supplying countries to protect cane sugar and beet sugar producers. Such measures are expected to uphold the domestic sugar price in 2018. Years of industry development has got customers accustomed to the user-friendliness of corn sweeteners. The substitution effect between sugar and sweeteners is no longer as prominent as it used to be. Sugar price fluctuation has become a reference point for the pricing of sweeteners. Although the decrease in sugar price will have an impact on sweeteners prices, the demand for sweetener products has been stable. Coupled with the commencement of the sweeteners production facilities in the Xinglongshan site, the sales volume of the Group's corn sweetener products increased by 45.0% during the Period.

While the sweeteners market remains stable, the price of corn kernels in the PRC is affected by the direction of the state government agricultural policy from time to time. The Group is cautious with changes in agricultural policy as well as macro-economic environment in light of the uncertainties added by the trade war. Notwithstanding the changes in the upstream operating environment, the upstream operation serves as a feedstock of the Group's downstream production which has strategic value to the Group's operation. As such, in response to the ever-changing environment, the Group will closely monitor the market movements and optimise its production scale from time to time.

FINANCIAL PERFORMANCE

With the completion and commencement of the sweeteners production facilities in the Xinglongshan site, the Group's consolidated revenue increased by approximately 49.7% to approximately HK$894.5 million (2017: HK$597.7 million) when compared to the corresponding period last year. However, due to changes in the agricultural subsidy policy of the provincial governments, the corn procurement subsidy which the Group was entitled to was substantially lowered as compared to the corresponding period last year. Consequently, the corn subsidy the Group was entitled to for the Period decreased by 95.6% to approximately HK$1.0 million (2017: HK$22.6 million). On the other hand, the price of corn kernels increased by 26.3% during the Period. The combined effect of the above has driven up the cost of sales per MT by 29.0% during the Period, while the average selling price increased by merely 18.6%. The Group's gross profit and gross profit margin decreased by 31.3% and 7.5 per cent point to approximately HK$56.8 million (2017: HK$82.7 million) and 6.3% (2017: 13.8%) respectively. In addition, the finance costs of the Group increased by 48.3% during the Period. As a result, the Group recorded a net loss and LBITDA (i.e., loss before interest, taxation, depreciation and amortisation) of HK$132.8 million and HK$53.8 million respectively as compared to net loss and EBITDA (i.e. earning before interest, taxation, depreciation and amortisation) of HK$53.5 million and HK$5.4 million respectively for the corresponding period last year. The management has adopted a number of measures to improve the financial performance and financial position of the Group, among others, the Group entered into a S&P Agreement with GBT in July 2017 to dispose of the Target Companies in Changchun in order to release the financial burden from relocation of the production facilities in Changchun and the Dihao New Supplier Guarantee. The Group also signed corn purchasing agreements with Jilin Jiliang Assets Supply Chain Management Co., Ltd. (吉林吉糧資產供應鏈管理有限公司, "Jiliang") and a State-owned enterprise (the "State-owned Supplier") in January 2018 to ensure a stable supply of corn kernels.

MANAGEMENT DISCUSSION AND ANALYSIS

Upstream products

(Sales amount: HK$331.8 million (2017: HK$260.6 million))
(Gross loss: HK$17.8 million (2017: Gross profit: HK$30.3 million))

During the Period, the sales volume of corn starch and other corn refined products were approximately 79,000 MT (2017: 71,000 MT) and 55,000 MT (2017: 54,000 MT) respectively. Internal consumption of corn starch was approximately 81,000 MT (2017: 55,000 MT), which was mainly used as raw material for production of downstream products in the Group's Jinzhou and Shanghai production sites.

There have been changes in the provincial corn procurement subsidies programme. The Liaoning provincial government has suspended the corn procurement subsidies given to qualified corn refiners for every MT of corn purchased and processed in April 2017. Although the corn procurement subsidies were subsequently re-introduced in April 2018, the amount of subsidy was substantially lower than that of the previous year. As a result, the Group's cost of corn kernels for the Period increased significantly by 26.3% while the average selling prices of corn starch and other corn refined products merely increased by 22.8% and 10.3%, respectively. Consequently, the corn starch segment recorded a gross profit margin of approximately 6.5% (2017: 16.6%) while the other corn refined products segment recorded a gross loss margin of 25.9% (2017: gross profit margin: 4.4%) for the Period.

The Group has been the sole distributor of the GBT Group for the sales and marketing of their upstream corn refined products in the Huadong region in the PRC since 2016. No trading of GBT's upstream products was recorded during the Period (2017: HK$1.5 million).

Corn syrup

(Sales amount: HK$401.7 million (2017: HK$247.5 million))
(Gross profit: HK$55.0 million (2017: HK$45.7 million))

During the Period, the revenue and gross profit of corn syrup increased by 62.3% and 20.4% respectively to approximately HK$401.7 million (2017: HK$247.5 million) and HK$55.0 million (2017: HK$45.7 million) respectively. It was mainly attributable to the increase in sales volume by 43.5% to approximately 132,000 MT (2017: 92,000 MT) as a result of the completion of the relocation and commencement of the glucose/maltose production facilities in the Xinglongshan site. However, as the northeast China market has been primarily concentrated with low-margin industrial users and the increased corn cost had passed on to the downstream operation, the gross profit margin of corn syrup decreased to 13.7% (2017: 18.5%) during the Period.

Corn syrup solid

(Sales amount: HK$160.5 million (2017: HK$83.4 million))
(Gross profit: HK$19.6 million (2017: HK$6.2 million))

During the Period, the revenue and gross profit of maltodextrin increased by 92.4% and 216.1% respectively to approximately HK$160.5 million (2017: HK$83.4 million) and HK$19.6 million (2017: HK$6.2 million) respectively. Such increase was mainly attributable to the increase in sales volume of maltodextrin by 48.6% to approximately 55,000 MT (2017: 37,000 MT) as a result of the completion of the relocation of the maltodextrin production facilities to Xinglongshan and a 29.4% increase in selling price year-on-year. Together with the improved efficiency subsequent to the relocation of the production facilities, the gross profit margin of corn syrup solid increased to 12.2% (2017: 7.4%).

Trading of amino acids

(Sales amount: HK$0.5 million (2017: HK$6.2 million))
(Gross profit: Nil (2017: HK$0.5 million))

The Group has entered into a master sales agreement with the GBT Group since 2016 for the marketing and selling of their lysine and other corn refined products in the Huadong region in the PRC. Results of trading of corn starch and other corn refined products are included in the financial results of upstream products. Results of the trading segment include only those of amino acids.

During the Period, the revenue of the trading of amino acids decreased to approximately HK$0.5 million (2017: HK$6.2 million) and no gross profit was recorded during the Period (2017: HK$0.5 million). The downturn of trading of amino acids business was mainly attributable to the weak lysine market driven by the poor market sentiment of the husbandry industry and the soft hog prices during the Period.

Export sales

During the Period, the Group exported approximately 18,000 MT (2017: 27,000 MT) of upstream corn refined products and approximately 9,000 MT (2017: 83 MT) of corn sweeteners; their export sales amounted to approximately HK$41.6 million (2017: HK$35.9 million) and HK$26.8 million (2017: HK$0.2 million) respectively, together representing 7.7% (2017: 6.0%) of the Group's total revenue.

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

Other income and gains

During the Period, other income of the Group decreased by 23.8% to approximately HK$12.5 million (2017: HK$16.4 million), which was mainly attributable to the difference arising from a government grants which the Group was entitled to which amounted to HK$2.5 million for the six months ended 30 June 2017.

Selling and distribution expenses

During the Period, the selling and distribution expenses increased by 56.4% to approximately HK$89.3 million (2017: HK$57.1 million), accounting for 10.0% (2017: 9.6%) of the Group's revenue. Such increase was mainly attributable to the increase in sales volume and export sales volume of corn sweeteners product which incurred a higher transportation cost and handling fee.

Administrative expenses

Administrative expenses increased by 10.9% to approximately HK$57.2 million (2017: HK$51.6 million), representing 6.4% (2017: 8.6%) of the Group's revenue. As revaluation work has been done on buildings for administrative use in the PRC at the end of 2017 where value of these buildings appreciated, additional depreciation expenses were recognised during the Period.

Other expenses

Other expenses of the Group increased slightly to approximately HK$20.7 million (2017: HK$18.8 million) during the Period. Such increase was mainly attributable to the net loss arising from the disposal of substandard corn kernels which amounted to HK$4.7 million during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

During the Period, finance costs of the Group increased to approximately HK$34.1 million (2017: HK$23.0 million) as a result of the increase in interest on payables to corn suppliers, which amounted to HK$5.1 million (2017: Nil).

Income tax expense

Although the Group recorded a net loss during the Period, a subsidiary of the Company in the PRC generated net profit which was subject to the PRC enterprise income tax. As a result, income tax expense amounted to approximately HK$0.8 million was provided for the Period (2017: HK$2.1 million).

Net loss attributable to shareholders

As a result of the deterioration of the operating environment and the increase in finance costs, the Group's net loss was widened to approximately HK$132.8 million (2017: HK$53.5 million) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest bearing borrowings and net borrowing position

As at 30 June 2018, the Group's bank borrowings decreased by 2.3% to approximately HK$1,101.1 million (31 December 2017: HK$1,127.5 million), all of which (31 December 2017: 100.0%) was denominated in Renminbi. The change in total borrowings was mainly attributable to exchange rate adjustment of approximately HK$13.3 million as at 30 June 2018 and the settlement of bank borrowing amounted to approximately HK$13.1 million during the Period. The average interest rate of bank borrowings during the Period increased slightly to approximately 5.2% (31 December 2017: 5.1%) per annum. As at 30 June 2018, interest-bearing bank borrowings amounted to approximately RMB207.0 million have been charged at fixed interest rates of 7.0% to 8.0% for terms of one year to three years. Other than that, the rest of the Group's interest-bearing bank borrowings are charged with reference to floating interest rate.

Considering the management's continuous efforts in monitoring the cash flow of the Group and in maintaining good relationship with banks, the Group has not experienced any difficulties in renewing the existing banking facilities as of the date of this report.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. With the completion and commencement of the sweeteners production facilities in the Xinglongshan site, Dihao Foodstuff granted a longer credit period to their customers in order to re-establish business relationship. In addition, the Shanghai operation of the Group accepted customer's settlement by bills which has a longer settlement period. As a result, the trade and bills receivables increased to HK$224.8 million (31 December 2017: HK$137.0 million) and the trade receivables turnover days increased to 46 days (31 December 2017: 36 days) during the Period.

During the Period, trade payables turnover days increased to approximately 60 days (31 December 2017: 52 days) as part of the cash flow management.

As at 30 June 2018, the inventory level increased by 22.9% to approximately HK$207.9 million (31 December 2017: HK$169.1 million) as a result of increased inventory in the Jinzhou operation. Meanwhile, the cost of sales increased by 62.7% to approximately HK$837.7 million (six months ended 30 June 2017: HK$514.9 million) for the Period subsequent to the completion and commencement of the sweeteners production facilities in Xinglongshan. Consequently, the inventory turnover days decreased to approximately 45 days (31 December 2017: 50 days) for the Period.

As at 30 June 2018, the current ratio decreased to approximately 0.4 (31 December 2017: 0.5) and quick ratio remain at 0.3 (31 December 2017: 0.3). Gearing ratio in terms of debts (i.e. total interest-bearing bank borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank borrowings) was approximately 129.1% (31 December 2017: 112.2%).

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for 7.7% (2017: 6.0%) of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company has been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. The Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

FUTURE PLANS AND PROSPECTS

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

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

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

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2018, the Group has approximately 1,105 (31 December 2017: 1,115) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasingly turbulent environment. The Group places great emphasis in the selection and recruitment of new staff, on-the-job training, appraisal and rewards to its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and discretionary bonuses.

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board has resolved not to recommend any payment of interim dividend in respect of the Period (six months ended 30 June 2017: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests and short positions in the shares ("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 (the "SFO")) of the Directors and chief executives 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, 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** (Note 2)
Mr. Kong Zhanpeng	The Company	Interest of a controlled corporation	1,984,000 Shares (L) (Note 3)	0.13
	GBT	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.29
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) (Note 4)	3.78

Notes:

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

2. On the basis of number of shares of the Company or its associated corporation in issue as at 30 June 2018.

3. These 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.

4. These 241,920,000 shares are held by Hartington Profits Limited.

Saved as disclosed above, as at 30 June 2018, none of the Directors and the chief executives of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (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' Interests and Short Positions in Shares and Underlying Shares" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, so far as is known to the Directors, the following persons (other than a Director or chief executives of the Company) had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Capacity/nature of interest	Number of Shares held (Note 1)	Percentage of Company's issued share capital (Note 2)
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 Shares (L)	64.01
GBT	Interest of a controlled corporation (Note 3)	977,778,000 Shares (L)	64.01
	Beneficial owner	500,000 Shares (L)	0.03
Modern Agricultural Industry Investment Limited	Interest of a controlled corporation (Note 4)	978,278,000 Shares (L)	64.04

Notes:

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

2. On the basis of 1,527,586,000 Shares in issue as at 30 June 2018.

3. These Shares are registered in the name of Global Corn Bio-chem, which is a wholly-owned subsidiary of GBT. Therefore, GBT is deemed to be interested in all the Shares in which Global Corn Bio-chem is interested according to the SFO.

4. These Shares are registered in the name of or deemed to be interested by GBT, which is owned as to approximately 49% by Modern Agricultural Industry Investment Limited. The entire issued capital of Modern Agricultural Industry Investment Limited is held by Modern Agricultural Industry Investment Holdings Limited which is in turn wholly owned by Jilin Province Modern Agricultural Industry Investment Fund (LLP) ("PRC LLP"). The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited ("GP"). As at 30 June 2018, GP is wholly owned by Nongtou and 40% of the investment capital of PRC LLP is owned by Nongtou. 20% of the investment capital of PRC LLP is owned by Jilin Province Communication Investment Group Co., Ltd.(吉林省交通投資集團有限公司) ("Jiaotou"). As announced by GBT on 2 March 2017, an agreement was entered into between Jiaotou and Nongtou on 27 February 2017 for the transfer by Jiaotou to Nongtou of its investment capital in PRC LLP. During the transition period from the date of the above agreement to the completion of such transfer, Nongtou shall manage the above transferred interest on behalf of Jiaotou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of GBT. Nongtou is controlled by State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province ("SASAC of Jilin Province"). Each of Modern Agricultural, Modern Agricultural Industry Investment Holdings Limited, PRC LLP, GP, Jiaotou, Nongtou and SASAC of Jilin Province are deemed to be interested in the interest held by GBT.

   In September 2018, the transfer of 20% of PRC LLP's investment capital from Jiaotou to Nongtou is completed.

Saved as disclosed above, no person, other than the Directors and chief executives of the Company, as of 30 June 2018, had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

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

In the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Period.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the Period.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee comprises all three independent non-executive Directors. As at the date of this report, the chairman of the Audit Committee is Mr. Yuen Tsz Chun, and the other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Lo Kwing Yu.

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

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

In compliance with the CG Code, the Company established its nomination committee (the "Nomination Committee") on 1 April 2012 with a majority of the members thereof being independent non-executive Directors. The Nomination Committee comprises an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, being Mr. Ho Lic Ki and Mr. Lo Kwing Yu. Mr. Kong Zhanpeng is the chairman of the Nomination Committee. The duties of the Nomination Committee are, among others, determining policy for the nomination of directors, including the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year. The Nomination Committee also reviews the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company.

REMUNERATION COMMITTEE

The members of the remuneration committee of the Company (the "Remuneration Committee") comprise an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, being Mr. Ho Lic Ki and Mr. Lo Kwing Yu. 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 remuneration packages of individual executive Directors and senior management, as well as on the Group's policy and structure for the remuneration of Directors and senior management. The Remuneration Committee also assesses performance of executive Directors and approves the terms of executive Directors' service contracts.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes. The Corporate Governance Committee comprises an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, being Mr. Ho Lic Ki and Mr. Yuen Tsz Chun. The chairman of the Corporate Governance Committee is Mr. Yuen Tsz Chun.

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

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The continuing connected transactions executive committee of the Company (the "CCT Executive Committee") is responsible for monitoring, reviewing and managing the continuing connected transactions (the "CCT") between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare the CCT reports and submitting the same to the CCT supervisory committee ("CCT Supervisory Committee") on regular basis. The members of the CCT Executive Committee are Mr. Wang Hongshan and Mr. Wen Gang, both being senior management of the Group.

CCT SUPERVISORY COMMITTEE

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

(1) to devise and revise detailed rules and guidelines ("Prescribed Guidelines") from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with the GBT Group, which are not qualified for exemptions or waivers from shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules ("Non-exempt CCT"), will be entered into in accordance with the respective agreements ("Master Agreements") entered into between the Group and the GBT Group, on normal commercial terms or better and on terms that are fair and reasonable and in the interests of the shareholders as a whole;

(2) to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to purchase of corn starch from the GBT Group by the Group and the distribution of lysine and other corn refined products of the GBT Group by the Group ("Proposed Sale and Purchase and Consignment Sale") as to whether they have been proceeded with in accordance with the Prescribed Guidelines (the "CCT Quarterly Reports");

(3) in respect of the provision of utility services (the "Utility Services") by the GBT Group to the Group, to review the CCT Quarterly Reports from the CCT Executive Committee as to how the fees have been charged by the GBT Group during the previous quarter, with evidence and detailed calculations as to the amount of costs and expenses actually incurred by the GBT Group, and to recommend the Board to take action in recovering any excessive fees charged by the GBT Group; and

(4) to report its findings on review of the CCT Quarterly Reports to the Board and give recommendations to the Board to ensure the transactions will be entered into in the interests of the Group and the shareholders as a whole.

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

(1) the Group shall not purchase corn starch from the GBT Group, distribute the lysine and other corn refined products of the GBT Group or obtain the Utility Services from the GBT Group, unless the GBT Group shall agree that the purchase 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 order to ascertain the prevailing market rates of corn starch in the form of starch slurry or powder from time to time and to ensure that the terms offered by the GBT Group to the Group are on normal commercial terms, pursuant to the Prescribed Guidelines, the CCT Executive Committee would obtain market selling prices of corn starch according to the following procedures:

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

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

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

(3) in respect of the distribution of lysine and other corn refined products of the GBT Group by the Group:

(i) prior to, for any calendar month, the sale of any lysine and other corn refined products of the GBT Group by the Group as a distributor of the GBT Group in the Huadong region, to the customers of the Group, and the purchase of the consignment stock of lysine and other corn refined products, the CCT Executive Committee should obtain from the GBT Group the prevailing ex-factory price of the relevant lysine and other corn refined products and other major commercial terms (including credit terms) then offered by the GBT Group to its independent third party distributors or customers of the relevant calendar month; and

(ii) the supply and sale of the consignment stock of lysine and other corn refined products by the GBT Group to the Group in the relevant calendar month should be settled within seven business days before the end of the relevant calendar month (the “Lysine Settlement Date”). The purchase price of the consignment stock of lysine and other corn refined products sold by the Group during the relevant calendar month shall be the prevailing ex-factory price of the relevant lysine and other corn refined products then offered by the GBT Group, plus the actual additional packaging, transportation and/or insurance costs to be incurred by the GBT Group for the transportation and delivery of the relevant lysine and other corn refined products to the facilities of the members of the Group as from time to time designated by the Group. The CCT Executive Committee should obtain from the GBT Group before Lysine Settlement Date the evidences and detailed calculation of the actual costs of additional packaging, transportation and/or insurance cost incurred by the GBT Group.

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

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

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

Details of findings of CCT Supervisory Committee for the Period have been published on 31 May 2018 and 23 August 2018. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase and Consignment Sale conducted during the Period were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services during the Period have been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

DISCLOSURE OF ADDITIONAL INFORMATION

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2017 Annual Report, in relation to among others, the relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

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

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

Products of the Group to which the production facilities relate	**Production capacity of the relevant production facilities to be relocated** *(mtpa)*	**Expected time for the relocation of production facilities**
Crystallised glucose*	100,000	April 2019 — March 2020
Corn refinery*	600,000	April 2019 — March 2020

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

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

Transfer of two subsidiaries in Changchun from the Group to GBT Group

As announced by the Company on 21 July 2017, the Group entered into the S&P Agreement with the GBT Group for the disposal of the entire equity interest (the "Sale Interest") of the Target Companies. As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 25% but less than 75%, the Transaction constitutes a major transaction in relation to disposal of the Company under Rule 14.06 of the Listing Rules. Pursuant to the S&P Agreement, the GBT Group has conditionally agreed to purchase the Sale Interest. The consideration for the Sale Interest is HK$60,971,000 which shall be payable by the GBT Group at completion of the Transaction (the "Completion"). The consideration was determined after arm's length negotiations between the Group and the GBT Group with reference to the net asset value of the Target Companies and the fair value of the land and properties owned by the Target Companies in Luyuan District in Changchun City, Jilin Province, the PRC which is based on current use (i.e. industrial).

From the management perspective, the Target Companies are both situated in Changchun, the PRC where the major production facilities of the GBT Group are situated while all other production facilities of the Group are situated elsewhere in the PRC. As such, the Transaction would enable the Target Companies to be managed under the ambit of the GBT Group with other members of the GBT Group in Changchun, which could enhance the cost and operational efficiency, create potential synergies and reduce the connected transactions between the Group and the GBT Group. Completion is conditional upon fulfillment of certain conditions which are yet to be fulfilled and as additional time is required for the fulfillment of the conditions precedent, specifically, the management is still in the process of discussing with relevant banks for the release of the guarantees and/or charges given by a member of the Group in respect of the indebtedness of Dihao Foodstuff. The Group and the GBT Group have agreed to extend the final date for fulfillment of the conditions to 31 December 2018 or such later date as the GBT Group and the Group may agree.

For details of the Transaction, please refer to the joint announcements of the Company and the GBT dated 21 July 2017, 16 January 2018 and 16 July 2018.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Reference is made to the joint announcement of the Company and GBT dated 31 October 2016. Under the various loan agreements (the "Loan Agreements") entered into between Jinzhou Yuancheng Bio-chem Technology Co., Ltd.（錦州元成生化科技有限公司）("Jinzhou Yuancheng"), which is an indirect wholly owned subsidiary of the Company, and Jinzhou Branch of China Construction Bank（中國建設銀行股份有限公司錦州分行）(the "Lender") in respect of a 18-month fixed term loan in the aggregate principal amount of RMB224.0 million guaranteed by certain members of the Group (the "Loan"), Jinzhou Yuancheng is required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. On 25 August 2017, Jinzhou Yuancheng signed various renewal agreements to renew the Loan Agreements in aggregate principal amount of RMB218.0 million pursuant to which the due date of the Loan has been extended to September 2018. Based on the unaudited management accounts of Jinzhou Yuancheng for the Period, Jinzhou Yuancheng has continued to fail to fulfill certain financial covenants under the Loan Agreements. Such breach entitles the Lender to, among others, declares the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions (the "Cross Default") in other loan agreements entered into by the Group in the aggregate outstanding principal amount of RMB238.8 million as at 30 June 2018. Save for the Cross Default, the breach has not resulted in any triggering of cross default provisions of other loan agreements and/or banking facilities entered into by the Group.

The Group has yet to receive a waiver from the Lender for waiver of such breach. Despite the above non-compliance, the Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. Further announcement(s) regarding the Loan and status of the waivers will be made as and when appropriate.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

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

DISCLOSURE OF ADDITIONAL INFORMATION

As disclosed in the joint announcement of the Company and GBT dated 8 December 2017 and the circular of the Company dated 17 January 2018, the term of the previous loan advanced by BOC to Dajincang expired in September 2017 and Dajincang still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for the New Supplier Loan. New supplier guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by Dihao Foodstuff and other members of the GBT Group to BOC to guarantee the obligations of Dajincang under the New Supplier Loan.

The maximum principal amount guaranteed under the Dihao New Supplier Guarantee is RMB2.5 billion. Since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose the Dihao New Supplier Guarantee in its interim and annual reports during the relevant periods when the Dihao New Supplier Guarantee is in effect.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
REVENUE	4	894,474	597,682
Cost of sales		(837,707)	(514,946)
Gross profit		56,767	82,736
Other income and gains	4	12,548	16,367
Selling and distribution expenses		(89,310)	(57,073)
Administrative expenses		(57,242)	(51,633)
Other expenses		(20,727)	(18,835)
Finance costs	5	(34,078)	(22,956)
LOSS BEFORE TAX	6	(132,042)	(51,394)
Income tax expense	7	(786)	(2,118)
LOSS FOR THE PERIOD		(132,828)	(53,512)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of foreign subsidiaries		7,580	(3,244)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(125,248)	(56,756)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		(132,828)	(53,512)
Non-controlling interests		—	—
		(132,828)	(53,512)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		(125,326)	(56,619)
Non-controlling interests		78	(137)
		(125,248)	(56,756)
LOSS PER SHARE	8		
Basic		HK(8.7) cents	HK(3.5) cents
Diluted		HK(8.7) cents	HK(3.5) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	859,586	896,985
Prepaid land lease payments		142,168	147,999
Deposits paid for acquisition of property, plant and equipment		63	308
Goodwill		—	—
Other intangible assets		3,243	3,243
		1,005,060	1,048,535
CURRENT ASSETS			
Inventories		207,921	169,130
Trade and bills receivables	11	224,813	136,980
Prepayments, deposits and other receivables	12	75,393	66,012
Pledged deposits		—	41,103
Cash and bank balances		116,589	173,697
		624,716	586,922
CURRENT LIABILITIES			
Trade and bills payables	13	277,373	176,446
Other payables and accruals		263,210	258,432
Interest-bearing bank borrowings		907,055	711,807
Due to fellow subsidiaries	17(c)	169,035	126,095
Tax payable		25,036	26,355
		1,641,709	1,299,135
NET CURRENT LIABILITIES		(1,016,993)	(712,213)
TOTAL ASSETS LESS CURRENT LIABILITIES		(11,933)	336,322
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		194,048	415,663
Deferred income		33,571	34,072
Deferred tax liabilities		8,669	9,560
		236,288	459,295
NET LIABILITIES		(248,221)	(122,973)
CAPITAL AND RESERVES			
Share capital	14	152,759	152,759
Reserves		(394,755)	(269,429)
Deficit attributable to owners of the Company		(241,996)	(116,670)
Non-controlling interests		(6,225)	(6,303)
TOTAL DEFICIT		(248,221)	(122,973)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

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

	Attributable to owners of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Asset revaluation reserve *HK$'000*	Statutory reserve fund *HK$'000*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 31 December 2016 and 1 January 2017	152,759	1,074,879	41,500	65,949	315,334	(1,632,648)	17,773	(5,793)	11,980
Loss for the period	–	–	–	–	–	(53,512)	(53,512)	–	(53,512)
Other comprehensive loss for the period	–	–	–	–	(3,107)	–	(3,107)	(137)	(3,244)
Total comprehensive loss for the period	–	–	–	–	(3,107)	(53,512)	(56,619)	(137)	(56,756)
At 30 June 2017 (Unaudited)	152,759	1,074,879	41,500	65,949	312,227	(1,686,160)	(38,846)	(5,930)	(44,776)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(132,042)	(51,394)
Finance costs	5	34,078	22,956
Bank interest income	4	(769)	(279)
Depreciation	6	40,319	30,325
Loss (Gain) on disposal of property, plant and equipment	6	44	(10)
Amortisation of prepaid land lease payments	6	3,804	3,494
(Reversal of impairment) Impairment of trade and bills receivables, net	6	(8,614)	1,332
Reversal of impairment of other receivables, net	4	(335)	(10,577)
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	4	–	(91)
Write-down (Reversal of write-down) of inventories, net	6	1,827	(326)
Changes in working capital:			
Inventories		(43,123)	(32,566)
Trade and bills receivables		(81,928)	38,030
Prepayments, deposits and other receivables		(9,661)	(2,591)
Trade and bills payables		104,269	11,121
Other payables and accruals		7,949	41,216
Cash (used in) generated from operations		(84,182)	50,640
Interest received		769	279
Overseas taxes paid		(2,363)	(2,137)
Net cash (used in) generated from operating activities		(85,776)	48,782
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(11,889)	(38,444)
Proceeds from disposal of property, plant and equipment		–	72
Net cash used in investing activities		(11,889)	(38,372)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		134,699	277,616
Repayment of bank borrowings		(147,788)	(128,750)
Interest paid		(34,078)	(22,956)
Increase (Decrease) in amounts due to fellow subsidiaries		44,977	(99,699)
Decrease (Increase) in pledged deposits		41,103	(55,234)
Net cash generated from (used in) financing activities		38,913	(29,023)
Net decrease in cash and cash equivalents		(58,752)	(18,613)
Cash and cash equivalents at beginning of period		173,697	116,972
Effect of foreign exchange rate changes, net		1,644	971
CASH AND CASH EQUIVALENTS AT END OF PERIOD		116,589	99,330
Analysis of balance of cash and cash equivalents			
Cash and bank balances		116,589	99,330

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the Period are authorised for issue in accordance with a resolution of the Board passed on 29 August 2018.

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 has been changed to Suites 2202-4, 22nd Floor, Tower 6, the Gateway, Harbour City, Kowloon with effect from 14 September 2018. The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners. 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, a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company is GBT, a company incorporated in the Cayman Islands whose shares are also listed on the Main Board of the Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange 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 consolidated financial statements for the year ended 31 December 2017.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$132.8 million (six months ended 30 June 2017: approximately HK$53.5 million) for the Period and as at 30 June 2018, had net current liabilities of approximately HK$1,017.0 million (31 December 2017: approximately HK$712.2 million) and net liabilities of approximately HK$248.2 million (31 December 2017: approximately HK$123.0 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 15 to the interim condensed consolidated financial statements may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances and based on the recommendations of the Audit Committee after its critical review of the management's position, the management of the Company has taken the following steps to improve the Group's financial position:

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

2.2 GOING CONCERN *(continued)*

1) Active negotiations with banks to obtain adequate bank borrowings

The management of the Company has been actively negotiating with banks in the PRC to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. A debt-equity swap proposal for the restructure of the debt of the Company's subsidiaries in Changchun was submitted to the People's Government of Jilin Province for consideration. On 26 March 2018, Mr. Yuan Weisen, the Chairman of GBT, met with the representatives of BOC on behalf of the Group and the GBT Group, and it was proposed that the Group and the GBT Group should provide a revised debt-equity swap proposal to BOC. On 2 April 2018, a revised debt-equity swap proposal was submitted to BOC for their consideration. During the Period, the management of the Company met with BOC, the People's Government of Jilin Province and the relevant professional parties on a regular basis to discuss the proposal and other alternatives to restructure the existing bank borrowings.

2) Transfer of two subsidiaries in Changchun to the GBT Group

As announced by the Company and GBT on 21 July 2017, the Group entered into an agreement with the GBT Group for the sale and purchase of Target Companies.

The Transaction will enable the Group to direct its resources to high value-added markets. In addition, as announced by the Company and GBT on 8 December 2017, and the circular of the Company dated 17 January 2018, Dihao Foodstuff is one of the guarantors of the new supplier guarantees for the benefit of Dajincang. As all of the other guarantors of the new supplier guarantees are members of the GBT Group but not the Group, the Transaction would relieve the Group from the new guarantee executed by Dihao Foodstuff for the benefit of Dajincang.

Following the completion of the Transaction, the Target Companies will cease to be the subsidiaries of the Company and the financial performance of the Target Companies will cease to be consolidated into that of the Group. It is expected that after completion of the Transaction, the financial performance of the Group will improve.

The completion of the Transaction is conditional upon the fulfillment of certain conditions. Up to the date of the approval of these interim condensed consolidated financial statements, those conditions have not been completely fulfilled. Specifically, the management is still in the process of discussing with the relevant banks for the release of the guarantees and/or charges given by a member of the Group in respect of the indebtedness of Dihao Foodstuff. As disclosed in the announcement of the Company dated 16 July 2018, as additional time is required for the fulfillment of the conditions precedent, the Long Stop Date has been extended to 31 December 2018.

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

2.2 GOING CONCERN *(continued)*

3) Monitoring of the Group's operating cash flows

The Group has taken various measures to tighten cost controls over production costs and expenses with the aim to attain profitable and positive cash flow operations. During the Period, the Group has optimised its production in order to minimise operating cash outflows.

4) Financial support from the indirect controlling shareholder of GBT

The Group has received a written confirmation dated 8 June 2018 from Nongtou that it will continue to provide financial support to the Group and the GBT Group in the next 24 months for their operations on a going concern basis and undertake all the liabilities that may arise from the Dihao New Supplier Guarantee. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group signed a corn purchasing contract for the supply of 300,000 MT of corn kernels with Jiliang, a subsidiary of Nongtou, in January 2018 to ensure a stable supply of corn kernels. During the Period, the Group purchased approximately 28,000 MT of corn kernels from Jiliang which accounted for 11.4% of total corn procurement of the Group.

Furthermore, the Group, through the connection of Nongtou, signed a corn purchasing contract for the supply of 500,000 MT of corn kernels with the State-owned Supplier in January 2018 to further secure a stable supply of corn kernels for 2018. During the Period, the Group purchased approximately 76,000 MT of corn kernels from the State-owned Supplier which accounted for 31.1% of total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value amounted to RMB1,212.3 million at 30 June 2018, is tasked to consolidate the state-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, to provide synergistic effects among its various investments in the agricultural sector in Jilin Province and to provide adequate and sufficient financial support to the Group.

The validity of the going concern basis on which the interim condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. Based on the measures as outlined above, the management of the Company considers that the Group would be able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future. Therefore, the interim condensed consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as explained below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the Period are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2017.

The Group has adopted, for the first time, the following new and revised HKFRSs that are relevant to the Group.

Annual Improvements to HKFRSs	2014-2016 Cycle: HKFRS 1 and HKAS 28
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Annual Improvements to HKFRSs: 2014-2016 Cycle: HKFRS 1 and HKAS 28

1) HKFRS 1: Deletion of short-term exemptions for first-time adopters

   The amendments delete the paragraphs of certain short-term exemptions and related effective dates which provided reliefs that are no longer applicable.

2) HKAS 28: Measuring an associate or joint venture at fair value

   The amendments clarify that the election to measure associates or joint ventures at fair value or retain the fair value measurement applied by investment entity associates or joint ventures can be made separately for each associate or joint venture at the relevant date.

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The interpretation specifies the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency.

The adoption of above annual improvements to HKFRSs and interpretation has no significant effect on these interim condensed consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9, which superseded HKAS 39 in its entirety, introduces new requirements on the classification and measurement of financial assets and financial liabilities, hedge accounting and impairment of financial assets. HKFRS 9 largely retains the existing requirements in HKAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale. Under HKFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under HKAS 39 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics.

The adoption of HKFRS 9 does not have any significant effect on the Group's accounting policies on classification and measurement of financial liabilities and financial assets.

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

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

HKFRS 9 "Financial Instruments" *(continued)*

In addition, HKFRS 9 introduces new requirements on impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The new expected credit loss model applies to financial assets measured at amortised cost but not to investments in equity instruments. The Group's financial assets measured at amortised cost consist of trade and other receivables, pledged deposits and cash and bank balances. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The application of HKFRS 9 results in earlier recognition of credit losses which are not yet incurred in respect of the Group's financial assets measured at amortised cost. The expected credit losses are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the differences between the cash flows due to the entity in accordance with the contract and the cash flows that are expected to receive). Expected credit losses are discounted at the effective rate of the financial asset.

Under HKFRS 9, loss allowances are measured on either one of the following bases:

— 12-month expected credit loss: result from possible default events within 12 months; and

— Lifetime expected credit loss: result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime expected credit loss.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

— The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— The financial asset is more than 90 days past due.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 for classification and measurement (including impairment) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The effect on adoption of HKFRS 9 is not material to the interim condensed consolidated financial statements of the Group.

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

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

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It replaced HKAS 18 "*Revenue*", HKAS 11 "*Construction contracts*" and the related interpretations. Under HKFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control whether it is at a point in time or over time requires judgement. An entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, by applying the following five steps:

Step 1: Identify the contract(s) with a customer;

Step 2: Identify the performance obligations in the contract(s);

Step 3: Determine the transaction price, the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;

Step 4: Allocate the transaction price to the performance obligations in the contract(s); and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The adoption of this standard does not have a significant impact on the measurement and recognition of revenue of the Group.

2.4 NEW AND REVISED HKFRSs NOT YET ADOPTED

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

Annual Improvements to HKFRSs	*2015-2017 Cycle*[1]
HKFRS 16	*Leases*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Construction of Assets between an Investor and its Associate or Joint Venture*[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective date to be determined

The management of the Company is in the process of assessing the possible impact on the future adoption of these new and revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Company's interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three (six months ended 30 June 2017: three) reportable operating segments as follows:

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

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

(iii) the trading segment which includes the sale of amino acids of the GBT Group in the Huadong region, the PRC.

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

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

(a) Operating segment information

	Corn refined products		Corn sweeteners		Trading		Total	
	Six months ended 30 June							
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Segment revenue:								
Sales to external customers	331,820	260,586	562,184	330,856	470	6,240	894,474	597,682
Intersegment sales	204,157	131,882	49,914	–	–	–	254,071	131,882
	535,977	392,468	612,098	330,856	470	6,240	1,148,545	729,564
Reconciliation:								
Elimination of intersegment sales							(254,071)	(131,882)
Revenue							894,474	597,682
Segment results	(65,887)	(385)	(25,836)	(21,401)	72	297	(91,651)	(21,489)
Reconciliation:								
Unallocated bank interest and other corporate income							4	48
Corporate and other unallocated expenses							(6,317)	(6,997)
Finance costs							(34,078)	(22,956)
Loss before tax							(132,042)	(51,394)
Income tax expense							(786)	(2,118)
Loss for the period							(132,828)	(53,512)

3. OPERATING SEGMENT INFORMATION *(continued)*

(b) Geographical information

	The PRC		Regions other than the PRC		Total	
	Six months ended 30 June					
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Segment revenue:						
Revenue from external customers	826,039	561,540	68,435	36,142	894,474	597,682

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Revenue		
Sale of goods	894,474	597,682
Other income and gains		
Gains arising from sale of packing materials and by-products, net	96	71
Bank interest income	769	279
Government grants *(Note)*	—	2,502
Subcontracting income	2,072	1,134
Gain on disposal of property, plant and equipment	—	10
Amortisation of deferred income	99	92
Reversal of impairment of trade and bills receivables, net	8,614	—
Reversal of impairment of other receivables, net	335	10,577
Reversal of write-down of inventories	2	92
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	—	91
Others	561	1,519
Total	12,548	16,367

Note: Government grants represent rewards to certain subsidiaries of the Company located in the PRC with no further obligations and conditions to be complied with.

5. FINANCE COSTS

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

	Six months ended 30 June	
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Interest on bank borrowings	28,864	22,717
Interest on trade payables	5,138	—
Finance costs for discounting bills receivable	76	239
Total	34,078	22,956

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Cost of inventories sold	834,341	512,538
Depreciation	40,319	30,325
Amortisation of prepaid land lease payments	3,804	3,494
Foreign exchange loss, net	177	465
Write-down (Reversal of write-down) of inventories, net	1,827	(326)
(Reversal of impairment) Impairment of trade and bills receivables, net	(8,614)	1,332
Reversal of impairment of other receivables, net	(335)	(10,577)
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	—	(91)
Loss (Gain) on disposal of property, plant and equipment	44	(10)
Corn subsidy, included in cost of sales	(990)	(22,593)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Current tax — The PRC enterprise income tax	786	2,118
Income tax expense	786	2,118

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the six months ended 30 June 2018 and 2017. The PRC enterprise income tax has been provided at the rate of 25% (six months ended 30 June 2017: 25%) on the estimated assessable profits of the subsidiaries operating in the PRC.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to owners of the Company for the Period of approximately HK$132,828,000 (six months ended 30 June 2017: HK$53,512,000) and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 (six months ended 30 June 2017: 1,527,586,000) shares.

Diluted loss per share is the same as basic loss per share as there was no potential dilutive ordinary shares outstanding during the Period and the six months ended 30 June 2017.

9. DIVIDEND

The Board has resolved not to recommend any payment of interim dividend for the Period (six months ended 30 June 2017: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
At 1 January 2018/1 January 2017		896,985	780,869
Additions		11,840	89,307
Gain on revaluation		—	31,565
Disposals		(44)	(2,202)
Depreciation	6	(40,319)	(61,456)
Exchange realignment		(8,876)	58,902
At 30 June 2018/31 December 2017		859,586	896,985

11. TRADE AND BILLS RECEIVABLES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Trade receivables	273,785	221,907
Bills receivable	32,776	6,307
Impairment	(81,748)	(91,234)
	224,813	136,980

The Group normally gives credit terms of 30 to 90 days (31 December 2017: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in the PRC which accounted for 24% (31 December 2017: 36%) of the total trade and bills receivables as at 30 June 2018.

11. TRADE AND BILLS RECEIVABLES *(continued)*

Ageing 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 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 1 month	124,471	89,680
1 to 2 months	56,814	32,808
2 to 3 months	30,797	7,741
Over 3 months	12,731	6,751
	224,813	136,980

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Prepayments	35,395	27,757
Deposits and other debtors	2,900	3,308
The PRC value-added tax and other tax receivables	28,366	27,077
Current portion of prepaid land lease payments	7,777	7,870
Corn subsidy receivables	955	—
	75,393	66,012

13. TRADE AND BILLS PAYABLES

	Notes	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Trade payables			
— To third parties	*13(a)*	224,658	135,343
— To Jiliang	*13(b)*	52,715	—
		277,373	135,343
Bills payable		—	41,103
		277,373	176,446

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2017: 30 to 90 days) from its suppliers.

Note 13(a): At 30 June 2018, the trade payables to third parties included balances payable to the State-owned Supplier of HK$62.3 million (31 December 2017: Nil), which are unsecured and interest-bearing at 8% to 9% per annum.

13. TRADE AND BILLS PAYABLES *(continued)*

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

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within 1 month	**79,240**	59,270
1 to 2 months	**17,388**	4,853
2 to 3 months	**53,965**	3,976
Over 3 months	**126,780**	108,347
	277,373	176,446

Note 13(b): The trade payables to Jiliang are unsecured and interest-bearing at 8% to 12% per annum.

14. SHARE CAPITAL

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Authorised:		
100,000,000,000 (31 December 2017: 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 2017: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

15. FINANCIAL GUARANTEES

Dihao Foodstuff together with certain fellow subsidiaries have jointly provided corporate guarantees to a bank in the PRC in respect of banking facilities granted to a former major supplier, Dajincang, starting from 2010 (the "Financial Guarantee Contracts"). The maximum amount of the banking facilities was RMB2.5 billion at 30 June 2018 (31 December 2017: RMB2.5 billion). The Directors have tried to engage a professional valuer to assess the fair value of the Financial Guarantee Contracts. However, since the Directors were unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the interim condensed consolidated financial statements in respect of the Financial Guarantee Contracts.

16. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Contracted, but not provided for:		
Purchase or construction of property, plant and machinery	34,199	53,262

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	Six months ended 30 June 2018 (Unaudited) *HK$'000*	2017 (Unaudited) *HK$'000*
Purchases from fellow subsidiaries			
— Corn starch	(i)	100,778	33,737
— Lysine and other corn refined products	(i)	473	7,454
Purchase of corn kernels from Jiliang	(ii)	64,656	—
Interest on trade payables to Jiliang	(ii)	2,604	—
Reimbursement of cost of utilities provided by a fellow subsidiary	(iii)	8,305	2,647
Rental expense paid to a fellow subsidiary	(iv)	1,273	1,172
Processing fee charged to a fellow subsidiary	(v)	—	412

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

(ii) The Group sourced corn kernels from Jiliang. This purchase was made at price based on the agreement between the parties. The trade payables to Jiliang are unsecured and interest-bearing at 8% to 12% per annum.

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

(iv) The Group leased certain land and premise from a fellow subsidiary. The rental expense was charged based on lease agreements signed between the parties.

(v) The Group provided processing services on corn starch to a fellow subsidiary. The processing fee was made at prices mutually agreed between the relevant parties.

17. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**2,839**	2,220
Post-employment benefits	**18**	9
Total compensation paid to key management personnel	**2,857**	2,229

(c) Balances with fellow subsidiaries

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