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

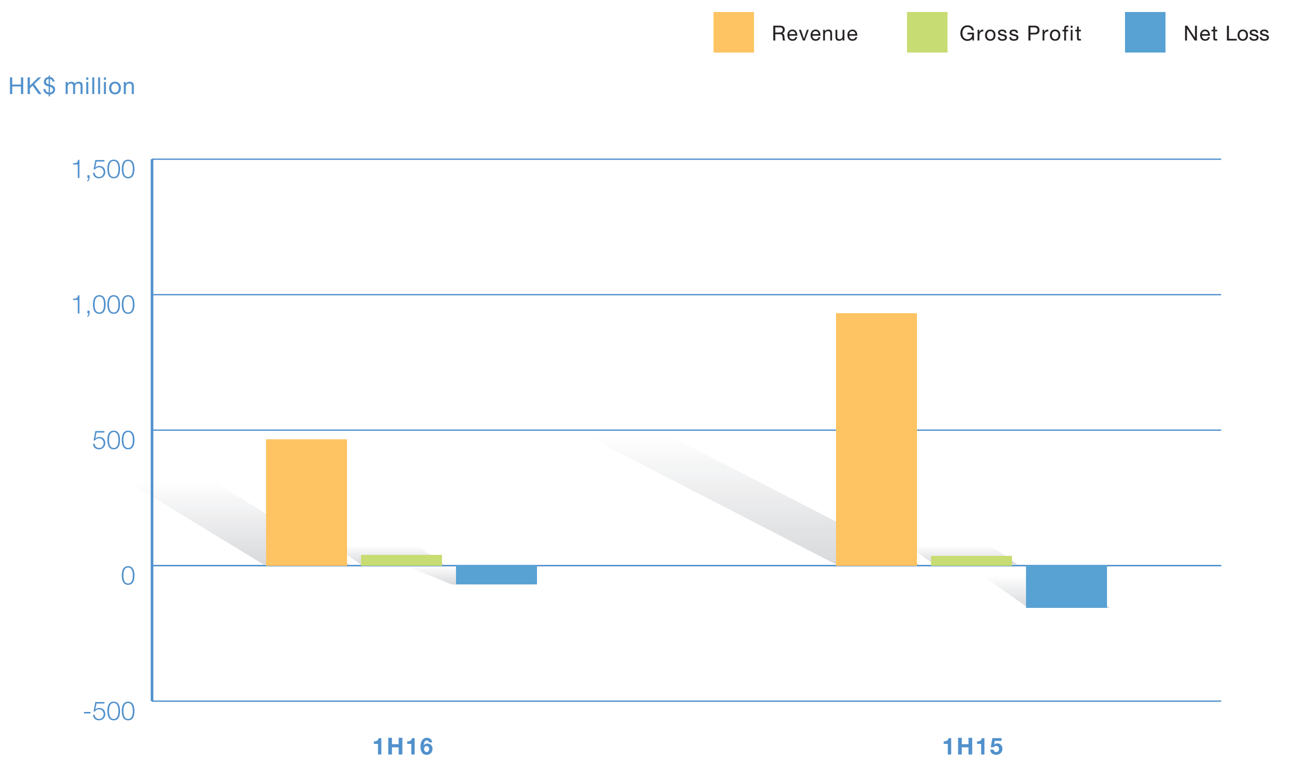
INTERIM REPORT 2016

CONTENTS

Financial Highlights	2
Corporate Information	4
Message to Shareholders	5
Management Discussion and Analysis	7
Disclosure of Additional Information	13
Interim Financial Information	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Condensed Consolidated Statement of Financial Position	24
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to Interim Condensed Consolidated Financial Statements	28

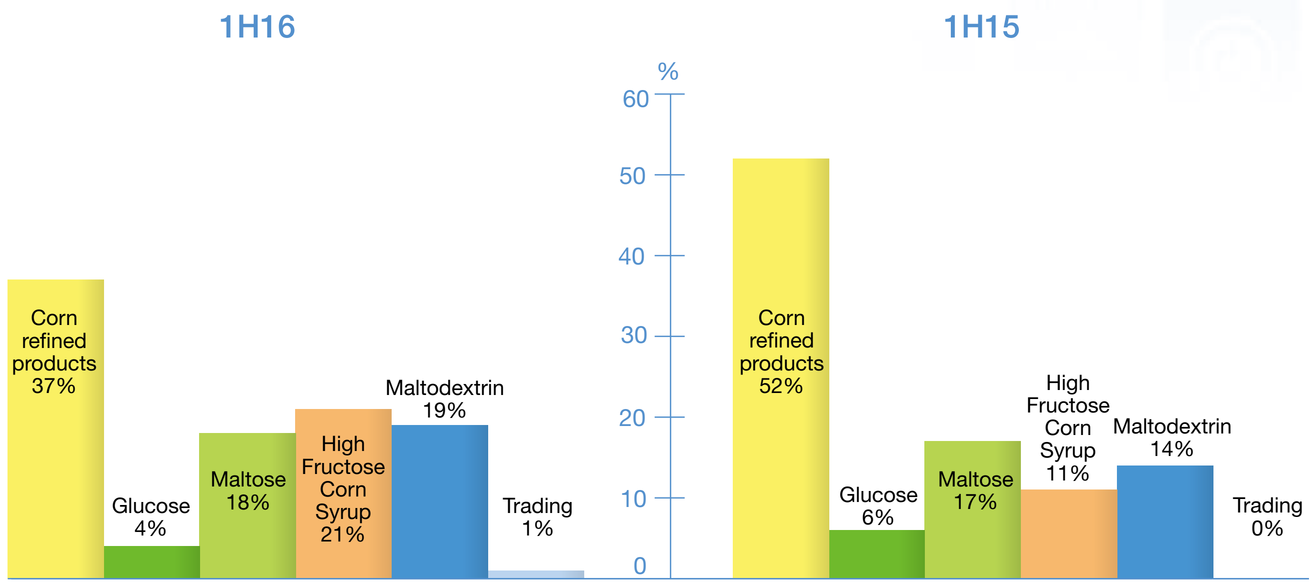
FINANCIAL HIGHLIGHTS

	Six months ended 30 June (Unaudited) 2016 (HK$ million)	2015 (HK$ million)	Change %
Revenue	**466.5**	931.1	(49.9)
Gross profit	**39.5**	35.5	11.3
Loss before tax	**(68.3)**	(153.5)	N/A
Loss for the period	**(68.6)**	(156.2)	N/A
Basic loss per share (HK cents)	**(4.49)**	(10.23)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A

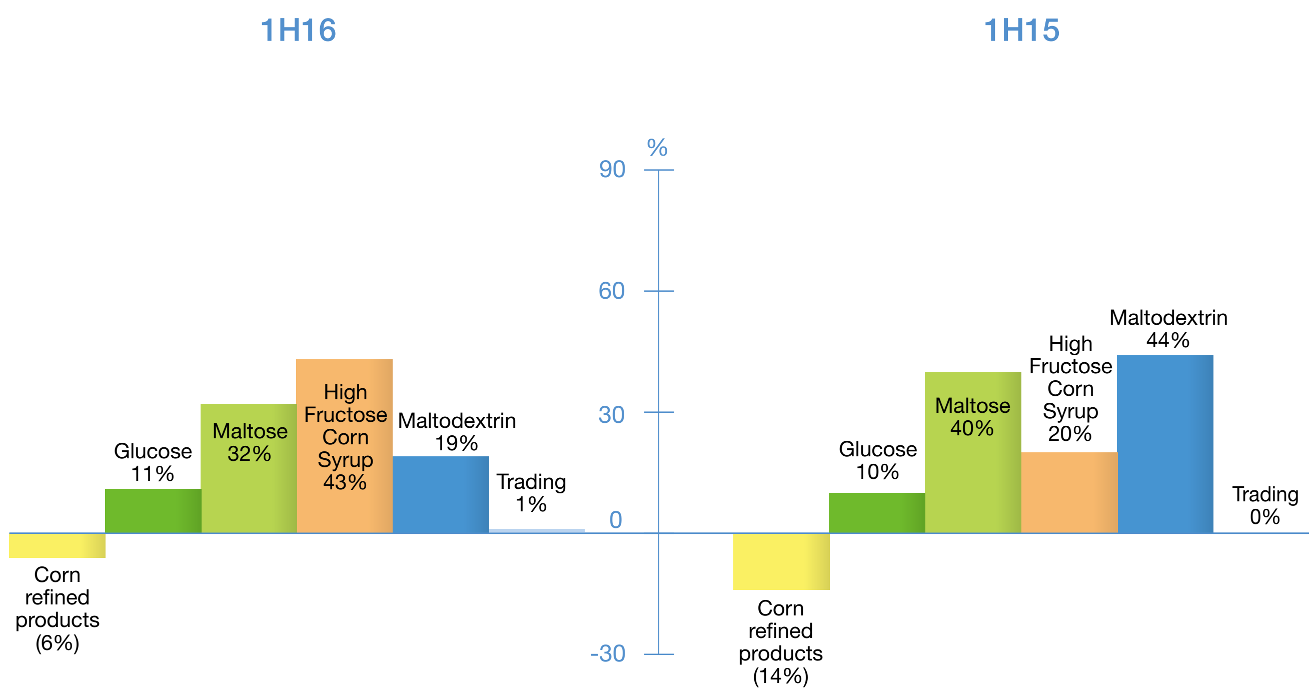


FINANCIAL HIGHLIGHTS

REVENUE DISTRIBUTION



GROSS PROFIT/(LOSS) DISTRIBUTION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Wang Jian *(Chairman and Chief Executive Officer)*
Mr. Kong Zhanpeng

Non-executive directors

Mr. Fu Qiang
Ms. Zhang Yaohui

Independent non-executive directors

Mr. Ho Lic Ki
Mr. Lo Kwing Yu
Mr. Yuen Tsz Chun *(Appointed on 16 March 2016)*

COMPANY SECRETARY

Mr. Lee Chi Yung, ACCA, 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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Hong Kong

AUDITOR

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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

Codan Trust Company (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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STOCK CODE

03889 HK

Dear Shareholders,

Affected by extreme weather conditions worldwide, global sugar production output dropped significantly for the year 2015/16, leading to the surge in the sugar price at home and abroad during the period under review. The rise in sugar price has fueled customers' incentives to switch to corn sweeteners, stimulating the prices of sweeteners. On the other hand, under the stewardship of the Group's new management team and with the introduction of a more organised and modern management structure, the Group's efforts in optimising operations, reducing operating costs and enhancing operational efficiency started to take effect – the Group's gross profit increased by 11% to approximately HK$40 million and its loss reduced significantly year on year.

Nevertheless, upstream segment remained challenging — overcapacity, high inventory level and slack export continue to depress the market sentiment of the upstream business. Affected by high production costs and weak prices, the Group's upstream segment was under pressure. During the period, the Group strategically suspended certain production facilities in Jinzhou and Changchun sites with limited production activities. As such, the revenue of the upstream segment reduced to approximately HK$200 million. Strategic suspension also helped minimise operation cash outflow and substantially narrowed gross loss of the segment to approximately HK$2 million.

During the period under review, decreased corn price and increased sugar price have widened the advantages of the downstream corn sweeteners. Gross profit margin of the sweeteners segment during the period increased to approximately 14%, lifting the Group's overall gross profit margin.

During the period, the Group's Shanghai production base maintained healthy operation, and continued to generate operating profit and cash flow for the Group. The Shanghai base reported satisfactory sales of high fructose corn syrup and other sweeteners with the support of long-term customers. Shanghai base is also the centre of various functions of the Group including marketing and sales promotion activities, customer relationship management, as well as research and development activities. During the period, the Shanghai base pilot launched the flavoured syrups to restaurants and retail outlets, and gained favourable market response.

On the other hand, subsequent to the finalisation of a master sales agreement between the Group and the Global Bio-chem Technology Group in April 2016, the trading segment has started operation, engaging in the sales and marketing of the lysine and other corn refined products of the Global Bio-chem Technology Group in the Huadong Region. During the period, this segment reported a sales amount of approximately HK$5 million, with a gross profit margin of approximately 4%. The trading segment not only further created synergistic effects between the Group and Global Bio-chem Technology Group, it also enabled the Group to offer diversified product mix to its customers, contributing profit to the Group's business.

The management has since last year begun to negotiate with Bank of China to discharge the supplier guarantees provided by a subsidiary of the Company to 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Ltd.). While Bank of China has expressed its intention to replace the supplier guarantees with a new qualified guarantee so as to release the Group from the supplier guarantees by the end of 2016, subject to the obtaining of the bank's internal approval. As the term of the supplier loan will expire between August and November 2016, the supplier may not have sufficient financial resources to repay the supplier loan upon the maturity dates. To avoid immediate demand for full repayment of the supplier loan by the Company as the guarantor, the Supplier proposed to refinance the supplier loan by entering into a new supplier loan agreement with Bank of China for the new supplier loan. The aforesaid transaction is subject to the approval of a general meeting of the Company. If Bank of China does not agree to enter into the new supplier loan agreements, the new supplier guarantee will not be entered into by the guarantor notwithstanding the approval by the shareholders. Under such circumstances, Bank of China might enforce the previous supplier guarantee and demand the Group to repay the relevant loans. The Group may need to dispose its assets or business in order to repay the supplier loans. As a result, the Company wishes to obtain more time through the new supplier guarantee to actively explore solutions to resolve the supplier guarantee in order to minimise the Group's financial risks.

In addition, as to the disposal of land and buildings in Changchun, the People's Republic of China, the extraordinary general meetings of the Company and Global Bio-chem Technology Group Company Limited were held on 21 June 2016 to approve the property disposal agreement and the asset disposal agreement. All the resolutions proposed were passed by way of poll. While the completion of the transaction is subject to the fulfilment of the remaining conditions listed in the agreements, as at the date of this report, the Group is in the process of finalising the details of individual contracts and the disposals have not been completed.

OUTLOOK

During the first half of 2016, affected by the economic slowdown of the People's Republic of China, the overall domestic market demand remained weak. Nevertheless, the industry's long-expected agricultural reform has finalised. On 19 June 2016, in an official document "Opinion on the implementation of the establishment of subsidy programme to corn producers"（關於建立玉米生產者補貼制度的實施意見）, the People's Republic of China government announced the abolition of the state procurement of corn in Heilongjiang Province, Jilin Province, Liaoning Province and the Inner Mongolia Autonomous Region, and the plan to grant direct subsidies to farmers in the upcoming harvest season. The market expects that the direct subsidies policy will lead to a gradual decline in corn prices and help restore the pricing mechanism of corn back to market. This could release the pressure for corn refinery manufacturers, and gradually stabilise the market. However, considering the overcapacity situation in the corn refinery industry, it is expected that market consolidation shall continue in the second half of the year, and the expected favourable effects as a result of such reforms to gradually realise in the next year.

The upstream production facilities in the Group's Jinzhou base resumed operation in the end of May. It is hoped that the changes in corn policy would improve the Group's upstream business performance. At the same time, the management will continue to take a prudent approach in response to market changes.

Throughout the years, the Group has established an extensive sales network and client base. Leveraging on its brand reputation and good credibility, sales of the Group's sweetener products remained stable during the period. While consolidation of the sweeteners market continues, the Group endeavours to seize the opportunity arising from the relocation of the Changchun facilities to upgrade its production facilities , so as to enhance production and operation efficiencies, and focused on research and development for high value-added products to diversify product mix to raise profitability. Benefiting from the management's strategies to plan production based on orders and to maintain flexible operation, the Group is able to respond quickly to market changes. In the second half of the year, the Group will continue to optimise its production utilisation, exercise stringent cost control, augment operational efficiency, with an aim to ensure sound operation and improve overall profitability.

In the face of the challenging operating environment, the Global Sweeteners Group will hold on to its core business, and strive to enhance overall operating efficiency, as a way to return the consistent support from the Group's shareholders and stakeholders.

Wang Jian
Chief Executive Officer

30 August 2016

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 (crystallised glucose and maltodextrin). The Group is also the sole distributor of Global Bro-chem Technology Group Company Limited ("GBT", and together with its subsidiaries, the "GBT Group") in the Huadong Region, 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 2015 (the "2015 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 2015 ("2015 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 2015 Annual Report, the management of the Company wishes to update on certain remedial measures taken or to be taken by the management during the six months ended 30 June 2016 (the "Period").

As detailed in the 2015 Annual Report, an independent internal control expert has conducted a review ("IC Review") on the Group's internal controls and systems in 2015 and an IC team ("IC Team") has been formed to implement the recommendations resulted from the IC Review.

1. Financial guarantees contracts

As detailed in the 2015 Annual Report, certain subsidiaries of the Company had jointly provided corporate guarantees to a bank in Mainland China in respect of the banking facilities granted to 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Ltd.) (the "Supplier" or "Dajincang") starting from year 2010 ("Previous Supplier Guarantees"). The fair value of the Previous Supplier Guarantees was not recognised in the Group's consolidated financial statements for the year ended 31 December 2015 because the professional valuer could not proceed with the valuation as the Supplier failed to provide relevant financial information to conduct an accurate valuation. During the Period, the Supplier was still unable to provide relevant financial information and therefore, no valuation as at 30 June 2016 could be proceeded.

As disclosed in the 2015 Annual Report, the management has been actively negotiating with 中國銀行股份有限公司偉峰國際分行 (Bank of China Weifeng International Branch) ("BOC") for the release of the Previous Supplier Guarantee. BOC has expressed its intention to release the Group from the Previous Supplier Guarantee by the end of 2016 subject to the internal approval by BOC. To the best of the knowledge, information and belief of the board ("Board") of directors ("Directors") of the Company after making reasonable enquiries, the internal approval has not yet been completed as at the date of this report.

As disclosed in an announcement dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the Previous Supplier Guarantee will expire between August to November 2016. The Supplier has indicated that it may not have sufficient financial resources to repay the loan advanced by BOC to the Supplier under the previous supplier loan agreement with an aggregate principal amount of RMB2.49 billion ("Previous Supplier Loan") upon the respective maturity dates. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantor pursuant to the Previous Supplier Guarantee, the Supplier proposes to refinance the Previous Supplier Loan by entering into new loan agreements with BOC for the new loan ("New Supplier Loan"). As a condition to the New Supplier Loan, a subsidiary of the Company has been requested to maintain the guarantee to BOC in connection with facilities to be granted to the Supplier under the new loan agreements ("New Supplier Loan Agreements"). The amount drawn down by the Supplier as at 30 June 2016 and up to the date of this report amounted to RMB2.49 billion (31 December 2015: RMB2.49 billion).

2. Impairment of non-current assets

As detailed in the 2015 Annual Report, an impairment assessment on the Group's property, plant and equipment at 31 December 2015 was performed by the Directors based on the market sentiment. As a result, except for buildings which were stated at revalued amounts, the property, plant and equipment in Jinzhou and Changchun were fully impaired. However, the auditor was unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the Directors' impairment assessment at 31 December 2015.

As disclosed in the Company's circular dated 3 June 2016, subject to completion of the disposal, the Group will dispose certain pieces of land situated in Lu Yuan District of Changchun, and buildings erected thereon to 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) ("Taiyangshen"), while the production facilities in Lu Yuan District will be relocated to the new site in Xinglongshan, Changchun. The relocation offers an opportunity to upgrade the production facilities as well as to re-adjust the product mix and production capacity that better suit the market needs. The Board expects the production in the new site will resume at full capacity upon the completion of the relocation. On the other hand, the Group's operation in Jinzhou has resumed since May 2016. The Directors believe the operation of the Jinzhou production site will gradually reach break-even level and will be able to continue on a sustainable basis in future. As such, the management is of the view that the impairment assessment performed for these non-current assets is sufficient.

The Directors will continue to perform impairment assessment from time to time including but not limited to engaging a professional valuer and performing cash flow forecast to ensure the non-current assets are stated at the lower of the carrying value or fair value less the costs to disposal and value in use.

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.

With respect to corn price movement, global corn production for the year 2015/2016 reached 972 million metric tonne ("MT"). International corn price dropped slightly to 365 US cents per bushel (equivalent to RMB956 per MT) (30 June 2015: 380 US cents per bushel) by the end of the Period. In the People's Republic of China (the "PRC" or "Mainland China"), corn harvest in 2015/16 maintained at similar level at 225 million MT (2014/15: approximately 215 million MT). The PRC government has been adopting a series of policies to protect the interest of local farmers and to stabilise corn price, including raising national corn reserves. According to the information from the China National Grain and Oils Information Center, China's national corn reserves in March 2016 reached 250 million MT. Despite Government's effort in stabilising corn price, economic slowdown and sluggish demand has put pressure on domestic corn price. As a result, the average market price of corn kernels dropped to approximately RMB1,846 per MT (end of June 2015: RMB2,333 per MT) by the end of June 2016.

As noted by the management, the PRC agricultural policy is under reform. Since early 2015, instead of purchasing certain agricultural products such as cotton at a pre-determined floor price directly from the farmers, the state government has started to subsidise farmers directly in relation to the price discrepancy between the floor price and the prevailing market price for each MT of agricultural products sold. The scheme aims at restoring market approach in the determination of agricultural product prices. In an official government document "Opinion on the implementation of the establishment of subsidy programme to corn producers"（關於建立玉米生產者補貼制度的實施意見）dated 19 June 2016, the State Government announced the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region, and the introduction of direct subsidy programme in these provinces in upcoming corn harvest season. The new scheme is expected to bring stability to the purchasing price of corn in the PRC.

Despite the continuous efforts of the government to stimulate economic growth, the pace of economic growth in China remained slow and sentiment among buyers and manufacturers remained conservative. In addition, overcapacity in the upstream corn refinery continues to exert pressure on upstream product prices. The price of upstream products remained weak in the first half of 2016 at approximately RMB1,857 per MT (30 June 2015: RMB2,430 per MT).

In respect of price movement of sugar, decreased production in various major sugar producing regions has raised international sugar price to 20.15 US cents per pound (equivalent to RMB2,954 per MT) (30 June 2015: 12.34 US cents per pound, equivalent to RMB1,665 per MT) by the end of June 2016. Similar phenomenon has been noted in the PRC market – domestic cane sugar production dropped from 10.8 million MT to 9.0 million MT in 2015/16 harvest, with domestic sugar price increased to approximately RMB5,826 per MT (30 June 2015: RMB5,400 per MT) by the end of the Period. The increased sugar price in contrast with the decreased corn price has highlighted the cost advantage of corn sweeteners, increasing the customers' incentive to switch to corn sweeteners.

Notwithstanding the improved sweeteners operating environment, the outlook on the upstream corn refinery remains challenging. The Group will continue to strengthen its market position leveraging on its brand name and further improve operation efficiency through continuous research and development efforts to lower operating costs.

FINANCIAL PERFORMANCE

The Group's consolidated revenue decreased by approximately 49.9% to approximately HK$466.5 million (2015: HK$931.1 million) when compared to the corresponding period last year. Due to improved sweetener prices and optimisation of production scale, the Group's gross profit increased by approximately 11.3% to HK$39.5 million (2015: HK$35.5 million) year on year. However, due to the low utilisation rate of the Group's production facilities in Jinzhou as a result of the suspension of operation from February 2016 to May 2016, the Group's unit production costs remained high during the Period. The combined effect with the weak market selling prices of upstream products has posed pressure on the Group's performance for the Period. As a result, the Group recorded a net loss attributable to shareholders of approximately HK$68.6 million (2015: HK$156.2 million) for the six months ended 30 June 2016.

Upstream products

(Sales amount: HK$171.4 million (2015: HK$481.6 million))
(Gross loss: HK$2.4 million (2015: HK$5.1 million))

During the Period, the revenue and gross loss of corn procurement business amounted to approximately HK$65.8 million and HK$0.1 million (2015: HK$165.0 million and HK$1.5 million) respectively.

During the Period, the sales volume of corn starch and other corn refined products were approximately 29,000 MT (2015: 65,000 MT) and 18,000 MT (2015: 37,000 MT) respectively. Internal consumption of corn starch was approximately 3,000 MT (2015: 30,000 MT), which was mainly used as raw material for production in the Group's Shanghai production sites.

The average selling prices of corn starch decreased by approximately 30.4% to HK$2,356 per MT (2015: HK$3,384 per MT) while other corn refined products decreased by approximately 18.4% to HK$1,979 per MT (2015: HK$2,424 per MT) as compared to the corresponding period last year. Consequently, the gross profit margin of corn starch dropped to approximately 2.0% (2015: 3.8%) while the gross loss margin of other corn refined products has narrowed to approximately 10.3% (2015: 13.7%).

The Group's upstream business has been hit by the slowdown of China's economic growth, weak export and excessive supply in the market since the fourth quarter of 2011. This situation continued during the Period and is expected to continue in the second half of 2016. As the upstream operation serves as a feedstock of the Group's downstream production, it has strategic value to the Group's operation. In response to the challenging environment, the Group will closely monitor the market movements and optimise its production scale from time to time.

Corn syrup

(Sales amount: HK$203.5 million (2015: HK$317.1 million))
(Gross profit: HK$33.9 million (2015: HK$25.1 million))

During the Period, revenue of corn syrup decreased by 35.8% to approximately HK$203.5 million (2015: HK$317.1 million). It was mainly attributable to the decrease in sales volume by 22.5% to approximately 69,000 MT (2015: 89,000 MT) as a result of the suspension of Jinzhou production facilities from February 2016 to May 2016. However, gross profit increased by 35.1% to approximately HK$33.9 million (2015: HK$25.1 million) as the Group focused on serving the high-end markets around Shanghai. As a result, the gross profit margin increased to 16.7% (2015: 7.9%).

Internal consumption of corn syrup for downstream production during the Period dropped to approximately 500 MT (2015: 1,000 MT), as a result of the decrease in the production volume of corn syrup solid.

Corn syrup solid

(Sales amount: HK$87.0 million (2015: HK$132.3 million))
(Gross profit: HK$7.8 million (2015: HK$15.5 million))

No sales of crystallised glucose was recorded during the Period as a result of the suspension of the Changchun production facilities. As such, sales volume of corn syrup solid decreased by approximately 17.9% to 32,000 MT (2015: 39,000 MT). In addition, the average selling price of maltodextrin decreased by 21.3% to approximately HK$2,686 per MT (2015: HK$3,415 per MT). Consequently, the revenue of maltodextrin decreased by 34.3% to approximately HK$87.0 million (2015: HK$132.3 million).

During the Period, corn syrup solid segment recorded a gross profit of approximately HK$7.8 million (2015: HK$15.5 million) with a gross profit margin of 9.0% (2015: 11.8%) which were resulted from the sales of maltodextrin.

Trading

(Sales amount: HK$4.6 million (2015: Nil))
(Gross profit: HK$0.2 million (2015: Nil))

During the Period, the Group has entered a master sales agreement with the GBT Group for the marketing and selling of their lysine and other corn refined products in the Huadong Region. The trading segment recorded a gross profit of approximately HK$0.2 million (2015: Nil) with a gross profit margin of 4.3% (2015: Nil). The sale of lysine and other corn refined products has created synergistic effects to the Group's business and allowed the Group to offer better product mix to its customers.

Export sales

During the Period, the Group exported approximately 21,000 MT (2015: 24,000 MT) of upstream corn refined products and approximately 200 MT (2015: 100 MT) of corn sweeteners. The export sales amounted to approximately HK$39.5 million (2015: HK$45.9 million) and HK$0.7 million (2015: HK$0.6 million) respectively, together representing approximately 8.6% (2015: 4.9%) of the total revenue of the Group.

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

Other income and gains

During the Period, other income of the Group increased by 100.0% to approximately HK$14.8 million (2015: HK$7.4 million). Such increase was mainly attributable to the reversal of write-off of trade receivables, interest income on other receivables and reversal of write-down of inventories during the Period which amounted to approximately HK$6.8 million (2015: Nil).

Selling and distribution expenses

During the Period, the selling and distribution expenses decreased by 43.8% to approximately HK$35.4 million (2015: HK$63.0 million), accounting for 7.6% (2015: 6.8%) of the Group's revenue. Such decrease was mainly attributable to the decrease in the Group's revenue.

Administrative expenses

During the Period, administrative expenses decreased to approximately HK$40.4 million (2015: HK$62.6 million), representing 8.7% (2015: 6.7%) of the Group's revenue. Such decrease was mainly attributable to the result of stringent cost control policy since second half of 2015.

Other expenses

During the Period, other expenses of the Group decreased to approximately HK$21.4 million (2015: HK$33.7 million). These expenses mainly consisted of the expenses reallocated from cost of sales as a result of the idle capacity of the Changchun and Jinzhou production facilities which amounted to approximately HK$16.9 million (2015: HK$21.9 million).

Finance costs

During the Period, finance costs of the Group decreased to approximately HK$25.5 million (2015: HK$37.2 million) as a result of the reduction in the average interest rate to approximately 5.8% (2015: 7.5%).

Income tax expense

Although the Group recorded a net loss during the Period, a subsidiary in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, income tax expenses amounted to approximately HK$0.2 million was provided (2015: HK$2.7 million).

Net loss attributable to shareholders

Notwithstanding the continuous challenging operating environment, by optimising the level of operation, the Group's net loss was narrowed to approximately HK$68.6 million (2015: HK$156.2 million) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest bearing borrowings and net borrowing position

As at 30 June 2016, the Group's bank borrowings amounted to approximately HK$870.8 million (31 December 2015: HK$894.0 million), of which all (31 December 2015: 100.0%) was denominated in Renminbi. The average interest rate during the Period decreased to approximately 5.8% (31 December 2015: 7.1%) per annum as a result of the decrease in the PRC interest rate.

During the Period, the Group was in compliance with the financial covenants as required in its current banking facilities and had no difficulty in renewing its banking facilities.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Period, the trade receivables turnover days remained at 36 days (31 December 2015: 37 days).

During the Period, trade payables turnover days decreased to approximately 31 days (31 December 2015: 46 days) as part of the cash flow management.

As at 30 June 2016, the inventory level decreased by 20.7% to approximately HK$128.4 million (31 December 2015: HK$162.0 million). Consequently, the inventory turnover days decreased to approximately 27 days for the Period (31 December 2015: 37 days).

The current ratio and quick ratio as at 30 June 2016 slightly increased to approximately 1.0 (31 December 2015: 0.9) and approximately 0.9 (31 December 2015: 0.8) respectively, which was mainly due to the decrease in current portion of interest bearing bank borrowing. Gearing ratio in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 412.3% (31 December 2015: 450.9%).

FOREIGN EXCHANGE EXPOSURE

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of 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 take the opportunity of the relocation of its production facilities to the Xinglongshan site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

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 endeavor 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 2016, the Group has approximately 1,120 (31 December 2015: 1,250) 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 performance related commissions.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2015: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, 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 executive of the Company as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the 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
Mr. Kong Zhanpeng	The Company	Interest of a controlled corporation	1,984,000 Shares (L) (Note 2)	0.13
	The Company	Beneficial owner	6,000,000 Shares (L) (Note 3)	0.39
	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
Mr. Ho Lic Ki	The Company	Beneficial owner	2,000,000 Shares (L) (Note 5)	0.13

Notes:

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

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

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

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

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

Saved as disclosed above, as at 30 June 2016, none of the Directors and the chief executive of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated 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.

DISCLOSURE OF ADDITIONAL INFORMATION

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 2016, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	**Capacity/nature of interest**	**Number of Shares held** (Note 1)	**Percentage of Company's issued share capital**
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 Shares (L)	64.01
GBT	Interest of a controlled corporation (Note 2)	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 3)	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. 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.

3. 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, and Jilin Changjitu Investment Co., Ltd. is 40% limited partner of PRC LLP, Yinhua Wealth and Capital Management (Beijing) Co., Ltd. is 26.7% limited partner of PRC LLP, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou") is 20% limited partner of PRC LLP, while Changchun Emerging Industry Equity Investment Fund Co., Ltd. is 13.3% limited partner of PRC LLP. Jilin Province Modern Agricultural Industry Fund Limited is wholly owned by Jilin Changjitu Investment Co., Ltd. whose 91.11% of its interest is owned by Jiaotou. Jiaotou is 71.43% owned by 吉林省人民政府國有資產監督管理委員會 (Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province). Each of Modern Agricultural Industry Investment Limited, Modern Agricultural Industry Investment Holdings Limited, PRC LLP, Jilin Province Modern Agricultural Industry Fund Limited, Jilin Changjitu Investment Co., Ltd., Jiaotou and 吉林省人民政府國有資產監督管理委員會 (Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province) are deemed to be interested in Shares in which GBT is interested.

Saved as disclosed above, no person, other than the Directors and chief executive of the Company, as of 30 June 2016, had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

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

COMPLIANCE WITH THE 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.

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2016.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jian is the chairman and chief executive officer ("CEO") of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring effective and efficient decision making and management control.

Mr. Chan Yuk Tong resigned as an independent non-executive Director with effect from 24 December 2015 as he wished to focus on other business and personal affairs. Following his resignation as an independent non-executive Director, Mr. Chan also ceased to act as, among others, a member and the chairman of the audit committee of the Company (the "Audit Committee"), a member and the chairman of the corporate governance committee of the Company (the "Corporate Governance Committee") and a member of the continuing connected transactions supervisory committee of the Company (the "CCT Supervisory Committee"). Following Mr. Chan's resignation, the Company had only two independent non-executive Directors and the Audit Committee had only two members, which fell below the minimum number required under the Listing Rules. The Company subsequently appointed Mr. Yuen Tsz Chun as an independent non-executive Director and, among others, a member and chairman of the Audit Committee, a member and chairman of the Corporate Governance Committee, and a member and chairman of the CCT Supervisory Committee on 16 March 2016.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("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 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.

DISCLOSURE OF ADDITIONAL INFORMATION

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. Wang Jian, and two independent non-executive Directors, being Mr. Ho Lic Ki and Mr. Lo Kwing Yu. Mr. Wang Jian 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 of an executive Director, Mr. Wang Jian, 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 approve 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 of 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.

Save as disclosed in the paragraph headed "Compliance with the corporate governance code and model code" in this report, 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 on regular basis. The members of the CCT Executive Committee comprise of Mr. Fu Qiang and Ms. Zhang Yaohui, both being non-executive Directors.

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 all some of the shareholders' approval, annual review and all 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 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 Group 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 23 August 2016. 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.

SHARE OPTION SCHEME

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

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

Participants	Outstanding as at 1 January 2016	Granted during the Period	Cancelled or lapsed during the Period	Exercised during the Period	Outstanding as at 30 June 2016	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options HK$ per share	Closing price immediately before the grant date HK$ per share
Kong Zhanpeng	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participant	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Total	16,000,000	–	–	–	16,000,000					

As at 30 June 2016, the options granted to subscribe for 16,000,000 Shares remained outstanding, representing approximately 1.05% of the issued share capital of the Company.

On 11 July 2016, such 16,000,000 share options have lapsed.

DISCLOSURE OF ADDITIONAL INFORMATION

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

Disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools

Reference is made to the circular of the Company dated 3 June 2016, in relation to the proposed disposal of lands and buildings in Changchun and the disposal of certain accounts receivables of the Group. Pursuant to a property disposal agreement ("Property Disposal Agreement"), two subsidiaries of the Company have conditionally agreed to sell, and Taiyangshen has conditionally agreed to purchase, five pieces of land situated at the east side of Xihuancheng Road, Lu Yuan District, Changchun, the PRC and the buildings erected thereon at the aggregate cash consideration of RMB558,390,000.

In addition, pursuant to an asset disposal agreement ("Asset Disposal Agreement"), two subsidiaries of the Company have conditionally agreed to sell, and Taiyangshen has conditionally agreed to purchase, the prepayments made by and the trade and other receivables owed to these two subsidiaries at the aggregate cash consideration of about RMB171.5 million.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the disposals under the Property Disposal Agreement and the Asset Disposal Agreement exceeds 75% for the Company, the Property Disposal Agreement, the Asset Disposal Agreement and the respective transactions contemplated thereunder constitute very substantial disposals for the Company and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. As such disposals also constitute very substantial disposals for GBT, such disposal are also subject to the reporting, announcement and shareholders' approval requirements of GBT under Chapter 14 of the Listing Rules.

On 21 June 2016, an extraordinary general meeting of each of the Company and GBT was held to approve among others, the Property Disposal Agreement and the Asset Disposal Agreement and the relevant resolutions proposed were passed by way of poll. As the date of this report, such disposals have not been completed and the Group is in the process of finalising the details of individual contracts.

Proposed provision of financial assistance to a supplier

Reference is made to the joint announcement of the Company and GBT dated 8 August 2016 and the circular of the Company dated 6 September 2016 in relation to, among others, the proposed provision of financial assistance to Dajincang. As disclosed in the 2015 Annual Report, the management teams of GBT and the Company have been actively negotiating with BOC for the release of the Previous Supplier Guarantees. While BOC has expressed its intention to release the guarantors from the Previous Supplier Guarantees by the end of 2016 subject to the obtaining of internal approval by BOC, to the best of the knowledge, information and belief of the Directors after making reasonable enquiries, the internal approval has not yet been completed as at the date of this report.

The term of the Previous Supplier Loan will expire between August to November 2016. Based on the Supplier's indication and the financial information of the Supplier available to the Company, the Supplier may not have sufficient financial resources to repay the Previous Supplier Loan upon the respective maturity dates. Under the Previous Supplier Guarantees, BOC shall have the right to demand the guarantors to repay the Previous Supplier Loan if the Supplier is in default. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors pursuant to the Previous Supplier Guarantee, the Supplier proposes to refinance the Previous Supplier Loan by entering into the New Supplier Loan Agreements with BOC for the New Supplier Loan. As a condition to the New Supplier Loan, BOC has requested the guarantor to enter into new supplier guarantee to guarantee the obligations of the Supplier under the New Supplier Loan Agreements.

As the applicable percentage ratios in respect of the new supplier guarantee exceeded 25%, the new supplier guarantee constitute a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under the Listing Rules.

For further information in relation to the above mentioned matters, refer to the Company's announcement dated 31 March 2015, the 2015 Annual Report and the joint announcement of the Company and GBT dated 8 August 2016, the circular of the Company dated 6 September 2016 and any relevant subsequent announcements or circular of the Company.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Change of auditor of the Company

Reference is made to the announcement of the Company dated 16 February 2016. Upon the approval of the shareholders of the Company at the extraordinary general meeting of the Company convened on even date, Ernst & Young had been removed as the auditor of the Company. Mazars CPA Limited had been appointed as the auditor of the Company in place of Ernst & Young until the conclusion of the annual general meeting of the Company and was re-appointed at the annual general meeting of the Company as the auditor of the Company. As detailed in the announcement of the Company dated 15 January 2016, Ernst & Young had been removed as the auditor of the Company as Ernst & Young had not been able to reach an agreement with the Company in relation to the audit fee payable for the financial year ended 31 December 2015.

Relocation of production facilities to the Xinglongshan site, resumption of production of downstream products in Changchun and resumption of production of the Group's upstream products at the production plant in Jinzhou

Reference is made to the circulars of the Company dated 3 June 2016 and 21 March 2016, and the announcements of the Company dated 31 March 2014 and 31 March 2015, respectively, in relation to among others, the suspension and relocation of production facilities of the Group at Lu Yuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

The Group commenced the planning of the relocation of upstream production facilities since April 2014 and, in light of the poor market sentiment for the upstream corn refinery, the Group has postponed the relocation of upstream operations to the second quarter of 2017. The Group will commence the relocation of downstream production facilities in September 2016. In light of the poor market sentiment and to minimise the disruption to the production and operation of the Group arising from the relocation, the Board currently expects the relocation of production facilities of the Group to the Xinglongshan site will be implemented by stages so that the production facilities can be relocated and commence production at the new sites progressively to meet the production needs before complete cessation of production at the current site. Due to previous delay in relocation, the relevant relocation plans of the Group are required to be updated and re-submitted to the relevant local authorities including the National Development and Reform Commission and the Environmental Protection Bureau for approval. Subject to the approval of such relocation plans, it is expected that the relocation will be completed by mid-2018, with the expected updated timeframe as follows:

Products of the Group to which the production facilities relate	Production capacity of the relevant production facilities to be relocated	Expected time for the relocation of production facilities
Maltodextrin (phase 1)	30,000 metric tonne per annum ("mtpa")	September 2016 — August 2017
Maltodextrin (phase 2)	30,000 mtpa	July 2017 — June 2018
Crystallised glucose	100,000 mtpa	September 2016 — January 2018
Glucose/maltose	150,000 mtpa	September 2016 — July 2017
Corn refinery	600,000 mtpa	June 2017 — June 2018

In light of the changes of plan and schedule for the relocation of the production facilities of the Group, and in order to optimise the utilisation of the Group's production facilities for downstream products to meet the market demand, it is expected that members of the Group in Changchun will gradually resume the production of downstream products, and the provision and supply of, among others, corn starch by the GBT Group for the production facilities of the Group in Changchun would be required.

In addition, considering the then poor market sentiment for corn refined products and the provincial variance in government subsidies for corn procurement which results in significantly higher net corn purchase cost in Jinzhou than that in Changchun, the cost of production for the Group's upstream products at its production plant at Jinzhou, particularly corn starch which is produced for the Group's production of its downstream products in Shanghai, had increased substantially. As such, the Group had suspended its production at the Group's facilities in Jinzhou since February 2016. The Group has resumed its operation in Jinzhou since May 2016 as it is expected that the purchasing price of corn will be lower and become stable as a result of the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region. The Directors believe the operation of the Jinzhou production site will gradually reach break-even level and will be able to continue on a sustainable basis in future.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to a supplier

Reference is made to the announcement of the Company dated 31 March 2015 and the circular of the Company dated 6 September 2016 in relation to, among others, the provision of financial assistance by a member of the Group to Dajincang. During November 2010 to March 2015, a subsidiary of the Group entered into the Previous Supplier Guarantees for the benefit of Dajincang in respect of its certain bank borrowings. Dajincang was one of the main suppliers to the Group. Dajincang is beneficially majority-owned by the labour union of the PRC employees of the GBT Group and the Group and is independent of the Company.

As set out in the announcement of the Company dated 31 March 2015, based on inquiries made by the then management of the Group, the first supplier guarantees were entered into in 2010 for the purposes of saving the financing costs of the GBT Group (including the Group) under a programme devised by the GBT Group's then management in the PRC. As part of its function, the Supplier had procured corn kernels from local farmers from time to time for resale thereof to users or the local government as strategic reserves. Dajincang was the GBT Group's principal supplier of corn kernels, being the principal production material of the GBT Group's upstream and downstream products. In 2010, Dajincang requested to shorten the credit periods offered by it to the GBT Group. As it was expected that the shortening of credit periods would result in the increase in the GBT Group's finance costs, the GBT Group's then PRC management, in response to such request, sought to minimise such finance costs by offering the supplier guarantees to the Supplier's bank lenders. As such, the Previous Supplier Guarantee was entered by the Group.

The maximum principal amount guaranteed under the Previous Supplier Guarantees 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 Previous Supplier Guarantees in its reports and annual reports during the relevant periods when the Previous Supplier Guarantees were in effect.

For further information in relation to the above mentioned matters, refer to the announcement of the Company dated 31 March 2015 and the circular of the Company dated 6 September 2016 and the paragraph headed "Important Transactions and Events Subsequent to the Period under Review – Proposed provision of financial assistance to a supplier" in this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
REVENUE	4	466,542	931,076
Cost of sales		(427,009)	(895,527)
Gross profit		39,533	35,549
Other income and gains	4	14,806	7,422
Selling and distribution expenses		(35,390)	(62,955)
Administrative expenses		(40,372)	(62,628)
Other expenses		(21,396)	(33,698)
Finance costs	5	(25,529)	(37,207)
LOSS BEFORE TAX	6	(68,348)	(153,517)
Income tax expense	7	(210)	(2,727)
LOSS FOR THE PERIOD		(68,558)	(156,244)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss subsequently:			
Exchange differences on translation of financial statements of operations outside Hong Kong		–	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(68,558)	(156,244)
Loss attributable to:			
Owners of the Company		(68,558)	(156,224)
Non-controlling interests		–	(20)
		(68,558)	(156,244)
Total comprehensive loss attributable to:			
Owners of the Company		(68,558)	(156,224)
Non-controlling interests		–	(20)
		(68,558)	(156,244)
LOSS PER SHARE	8		
Basic		HK(4.49) cents	HK(10.23) cents
Diluted		HK(4.49) cents	HK(10.23) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	408,099	408,312
Prepaid land lease payments		83,030	85,107
Deposits paid for acquisition of property, plant and equipment		314	354
Goodwill		—	—
Prepayments, deposits and other receivables	12	111,784	107,047
Other intangible assets		3,243	3,243
Total non-current assets		606,470	604,063
CURRENT ASSETS			
Inventories		128,445	161,975
Trade and bills receivables	11	182,489	167,640
Prepayments, deposits and other receivables	12	213,828	192,862
Due from fellow subsidiaries	16(c)	—	40,560
Pledged deposits		4,350	24,184
Cash and cash equivalents		104,936	61,106
		634,048	648,327
Non-current assets held for sale		365,082	365,082
Total current assets		999,130	1,013,409
CURRENT LIABILITIES			
Trade and bills payables	13	144,284	195,910
Other payables and accruals		255,735	216,379
Interest-bearing bank borrowings		472,024	703,571
Due to fellow subsidiaries	16(c)	93,070	—
Tax payable		24,638	25,539
Total current liabilities		989,751	1,141,399
NET CURRENT ASSETS/(LIABILITIES)		9,379	(127,990)
TOTAL ASSETS LESS CURRENT LIABILITIES		615,849	476,073
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		398,810	190,476
Deferred tax liabilities		107,110	107,110
Total non-current liabilities		505,920	297,586
Net assets		109,929	178,487
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	152,759	152,759
Reserves		(36,605)	31,953
		116,154	184,712
Non-controlling interests		(6,225)	(6,225)
Total equity		109,929	178,487

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Acc-umulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2015 and 1 January 2016	152,759	1,074,879	57,542	59,817	303,873	9,440	(1,473,598)	184,712	(6,225)	178,487
Loss and total comprehensive loss for the period	–	–	–	–	–	–	(68,558)	(68,558)	–	(68,558)
Transfer	–	–	–	5,716	–	–	(5,716)	–	–	–
At 30 June 2016 (Unaudited)	152,759	1,074,879	57,542	65,533	303,873	9,440	(1,547,872)	116,154	(6,225)	109,929

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Acc-umulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2014 and 1 January 2015	152,759	1,074,879	51,989	54,769	301,397	14,691	(720,347)	930,137	(6,237)	923,900
Loss and total comprehensive loss for the period	–	–	–	–	–	–	(156,224)	(156,224)	(20)	(156,244)
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	(1,534)	1,534	–	–	–
At 30 June 2015 (Unaudited)	152,759	1,074,879	51,989	54,769	301,397	13,157	(875,037)	773,913	(6,257)	767,656

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(68,348)	(153,517)
Adjustments for:			
Finance costs	5	25,529	37,207
Bank interest income	4	(408)	(483)
Depreciation	6	14,748	69,461
Gain on disposal of property, plant and equipment	6	—	(2)
Amortisation of prepaid land lease payments	6	2,077	3,625
Provision for/(reversal of) impairment of trade receivables	6	3,294	(1,838)
Reversal of write-off of trade receivables	4	(1,093)	—
Interest income on other receivables	4	(4,539)	—
Reversal of impairment of other receivables	6	(389)	—
Write-down of inventories to net realisable value	6	535	3,276
		(28,594)	(42,271)
Decrease in inventories		32,995	65,805
(Increase)/decrease in trade and bills receivables		(17,050)	137,141
Increase in prepayments, deposits and other receivables		(20,775)	(89,455)
Decrease in trade and bills payables		(51,626)	(105,699)
Increase in other payables and accruals		39,356	86,759
Cash (used in)/generated from operations		(45,694)	52,280
Interest received		408	483
Overseas taxes paid		(1,111)	(5,057)
Net cash flows (used in)/generated from operating activities		(46,397)	47,706
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of a parcel of land		—	(1,873)
Purchases of property, plant and equipment		(14,495)	(8,929)
Proceeds from disposal of property, plant and equipment		—	97
Net cash flows used in investing activities		(14,495)	(10,705)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	539,286	97,500
Repayment of bank borrowings	(562,499)	(191,250)
Interest paid	(25,529)	(37,207)
Increase in an amount due from the immediate holding company	—	(121)
Decrease/(increase) in amounts due from fellow subsidiaries	133,630	(8,427)
Increase in amounts due to fellow subsidiaries	—	875
Decrease in pledged deposits	19,834	—
Net cash flows generated from/(used in) financing activities	104,722	(138,630)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	43,830	(101,629)
Cash and cash equivalents at beginning of period	61,106	189,935
Effect of foreign exchange rate changes, net	—	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	104,936	88,306
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	104,936	84,390
Non-pledged time deposits with original maturity of less than three months when acquired	—	3,916
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	104,936	88,306

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 Directors passed on 30 August 2016.

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 1104, Admiralty Centre, Tower 1, No. 18 Harcourt Road, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn based sweetener products. There were no changes in the nature of the Group's principal activities during the Period.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

The Group recorded a consolidated net loss of approximately HK$69 million (six months ended 30 June 2015: approximately HK$156 million) during the Period.

The Group has received a confirmation from the ultimate holding company of a major shareholder of GBT that it will provide financial support to the Group for its operation on a going concern basis and undertake all liabilities that may arise from the certain guarantees issued by a subsidiary of the Company to a bank in the People's Republic of China (the "PRC" or "Mainland China") in connection with facilities granted to 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Ltd.) (the "Supplier" or "Dajincang"). Such assistance received by the Group is not secured by any assets of the Group.

The interim condensed consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the condensed consolidated statement of financial position. In addition, the Group may have to provide for 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)*

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2015. The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*
Amendments to HKAS 1	*Disclosure Initiative*

The adoption of these new and revised HKFRSs has no significant financial effect on these interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Lease*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for first HKFRSs financial statements and for annual periods beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

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

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

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

(iii) the sale of lysine and other corn refined products of the GBT Group by the Group in the Huadong Region.

3. SEGMENT INFORMATION *(continued)*

The management, who are the chief operating decision-makers, monitor the results of the Group's operating segments separately for the purpose of making decisions in relation to resources allocation and performance assessment. Segment performance is evaluated based on reportable segment 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 bank interest income and finance costs as well as corporate gains and expenses are excluded from such measurement.

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

(a) Business units information

	Corn refined products		Corn based sweetener products		Trading		Total	
	Six months ended 30 June							
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Segment revenue:								
Sales to external customers	171,450	481,635	290,490	449,441	4,602	–	466,542	931,076
Intersegment sales	9,421	95,163	–	–	–	–	9,421	95,163
	180,871	576,798	290,490	449,441	4,602	–	475,963	1,026,239
Reconciliation:								
Elimination of intersegment sales							(9,421)	(95,163)
Revenue							466,542	931,076
Segment results	(38,421)	(70,974)	(9,742)	(32,988)	142	–	(48,021)	(103,962)
Reconciliation:								
Bank interest income							408	483
Unallocated gains							14,398	6,939
Corporate and other unallocated expenses							(9,604)	(19,770)
Finance costs							(25,529)	(37,207)
Loss before tax							(68,348)	(153,517)

3. SEGMENT INFORMATION *(continued)*

(b) Geographical information

	Mainland China		Regions other than Mainland China		Total	
	Six months ended 30 June					
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Segment revenue:						
Revenue from external customers	426,369	884,563	40,173	46,513	466,542	931,076

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Revenue		
Sale of goods	466,542	931,076
Other income and gains		
Net gains arising from sale of packing materials and by-products	—	907
Bank interest income	408	483
Government grants*	2,925	—
Reversal of write-off of trade receivables	1,093	—
Reversal of impairment of trade receivables	—	1,838
Reversal of impairment of other receivables	389	—
Reversal of write-down of inventories	1,173	—
Interest income on other receivables	4,539	—
Exchange gains, net	301	181
Others	3,978	4,013
Total	14,806	7,422

* Government grants represented government rewards awarded to certain subsidiaries of the Company located in Mainland China 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	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Interest on bank borrowings	25,529	35,285
Finance costs for discounted bills receivables	—	1,922
Total	25,529	37,207

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Cost of inventories sold	420,486	888,040
Depreciation	14,748	69,461
Amortisation of prepaid land lease payments	2,077	3,625
Foreign exchange differences, net	(301)	(181)
Write-down of inventories to net realisable value#	535	3,276
Reversal of write-off of trade receivables	(1,093)	—
Provision for/(reversal of) impairment of trade receivables	3,294	(1,838)
Reversal of impairment of other receivables	(389)	—
Gain on disposal of property, plant and equipment	—	(2)

Included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000
Current — Mainland China	**210**	2,727
Tax charge for the period	**210**	2,727

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the periods ended 30 June 2016 and 30 June 2015.

The statutory tax rate for all subsidiaries in Mainland China was 25% for the six months ended 30 June 2016 (six months ended 30 June 2015: 25%).

8. LOSS PER SHARE

The calculation of the basic loss per share for the Period is based on the consolidated loss attributable to owners of the Company for the Period and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 (six months ended 30 June 2015: 1,527,586,000) shares.

No adjustment has been made to the basic loss per share amounts for the six months ended 30 June 2016 and 30 June 2015 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the Period (six months ended 30 June 2015: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
At 1 January 2016/1 January 2015		408,312	1,194,463
Additions		14,535	17,837
Revaluation		–	7,404
Disposals		–	(318)
Depreciation	6	(14,748)	(134,350)
Reclassified as non-current assets held for sale		–	(286,326)
Impairment		–	(358,936)
Exchange realignment		–	(31,462)
At 30 June 2016/31 December 2015		408,099	408,312

As at 30 June 2016, certain of the Group's property, plant and equipment with net carrying amounts of HK$198,558,000 (31 December 2015: HK$204,445,000) were pledged to secure banking facilities granted to the Group.

11. TRADE AND BILLS RECEIVABLES

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Trade receivables	260,030	252,529
Bills receivable	13,053	2,411
Impairment	(90,594)	(87,300)
Total	182,489	167,640

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

Trade 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 Mainland China which accounted for 48% (31 December 2015: 56%) of the total trade and bills receivables as at 30 June 2016.

11. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Within 1 month	77,279	126,354
1 to 2 months	32,902	25,243
2 to 3 months	15,181	8,003
Over 3 months	57,127	8,040
Total	182,489	167,640

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Prepayments	61,423	23,525
Deposits and other receivables	246,586	261,843
The PRC value-added tax receivables and other tax receivables	13,702	10,640
Current portion of prepaid land lease payments	3,901	3,901
	325,612	299,909
Less: Classified as non-current asset	(111,784)	(107,047)
Classified as current assets	213,828	192,862

As at 30 June 2016, included in the prepayments, deposits and other receivables was an amount due from Dajincang, a major supplier of the Company's subsidiaries in Changchun, of approximately HK$219,000,000 (valued-added tax ("VAT") inclusive but net of impairment) (31 December 2015: approximately HK$223,000,000) relating to the stock return of certain corn kernels to the Supplier by one of the Company's subsidiaries, Changchun Dihao Foodstuff Development Co., Ltd., in 2014.

On 14 April 2016, two subsidiaries of the Company entered into an agreement with 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) ("Taiyangshen"), to dispose of, among others, the receivable from the Supplier at a consideration of approximately RMB171.5 million (equivalent to approximately HK$204 million) (VAT exclusive). Any taxes that may arise from the stock return will be borne by Taiyangshen, subject to the completion of the disposal. With respect to the payment schedule of the consideration, about RMB68.6 million (equivalent to approximately HK$82 million), about RMB51.45 million (equivalent to approximately HK$61 million) and about RMB51.45 million (equivalent to approximately HK$61 million) will be payable on or before 31 December 2016, 31 December 2017 and 31 December 2018 respectively. Impairment loss of HK$104 million was recognised in respect of the receivable from the Supplier during the year ended 31 December 2015 with reference to the estimated fair value of the consideration for the disposal.

13. TRADE AND BILLS PAYABLES

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Trade payables	**141,839**	172,927
Bills payable	**2,445**	22,983
Total	**144,284**	195,910

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers. The carrying amounts of trade and bills payables approximate to their fair values.

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

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Within 1 month	**41,477**	85,378
1 to 2 months	**1,900**	14,093
2 to 3 months	**7,758**	2,492
Over 3 months	**93,149**	93,947
Total	**144,284**	195,910

14. SHARE CAPITAL

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Authorised:		
100,000,000,000 (31 December 2015: 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 2015: 1,527,586,000) ordinary shares of HK$0.10 each	**152,759**	152,759

15. FINANCIAL GUARANTEES

Certain subsidiaries of the Company had jointly provided corporate guarantees to a bank in Mainland China in respect of the banking facilities granted to the Supplier starting from year 2010 ("Previous Supplier Guarantees"). The maximum guaranteed amounts were RMB3 billion at 31 December 2010, 2011, 2012 and 2013, and RMB2.5 billion as at 31 December 2014, 31 December 2015 and 30 June 2016. These financial guarantee contracts were not recognised in the consolidated financial statements as at 30 June 2016 and in previous years. Refer to the Company's announcement dated 31 March 2015 for details of the Previous Supplier Guarantees.

As disclosed in the joint announcement of the Company and GBT dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the Previous Supplier Guarantees will expire between August to November 2016. The Supplier has indicated that it may not have sufficient financial resources to repay the loan advanced by 中國銀行股份有限公司偉峰國際分行 (Bank of China Weifeng International Branch) ("BOC") to the Supplier under the previous supplier loan agreement with an aggregate principal amount of RMB2.49 billion ("Previous Supplier Loan") upon the respective maturity dates. 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, the Supplier proposes to refinance the Previous Supplier Loan by entering into new loan agreements with BOC for the new loan ("New Supplier Loan"). As a condition to the New Supplier Loan, a subsidiary of the Company has been requested to maintain the guarantee to BOC in connection with facilities granted to the Supplier under the new loan agreements. Refer to Company's announcement dated 31 March 2015 and 8 August 2016 and the circular of the Company dated 6 September 2016 for details of, among others, the Previous Supplier Guarantees.

16. 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 2016 (Unaudited) HK$'000	 2015 (Unaudited) HK$'000
Purchases from fellow subsidiaries			
— corn starch	(i)	**61,621**	18,252
Consignment for fellow subsidiaries			
— Lysine and other corn refined products	(ii)	**4,384**	—
Reimbursement of cost of utilities provided by a fellow subsidiary	(iii)	**3,764**	1,272

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

(ii) The Group sourced lysine and other corn refined products from fellow subsidiaries and distribute the products of GBT Group by the Group. These purchases were made at prices mutually agreed between the parties.

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

16. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short term employee benefits	**1,800**	3,113
Post-employment benefits	**9**	18
Total compensation paid to key management personnel	**1,809**	3,131

(c) Balances with the related parties

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