GLOBAL Bio-Chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code : 00809

INTERIM REPORT 2012

* For identification purpose only

JILIN

Annual Production Capacity:

- Amino Acids — 800,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 210,000 mt
- Corn Refinery — 2.4 million mt

Site Area: Over 3.3 million m^2
Location: Situated within the Golden Corn Belt

LIAONING

Annual Production Capacity:

- Corn Refinery — 600,000 mt
- Corn Sweeteners — 200,000 mt

Site Area: Approximately 370,000 m^2
Location: Situated within the Golden Corn Belt and at the transportation hub

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 340,000 mt

Site Area: Approximately 30,000 m^2
Location: Situated in close proximity to food & beverage manufacturers

HONG KONG

Headquarter

mt: metric tonnes
m^2: metres square

Contents

2 Financial Highlights

3 Corporate Information

4 Message to Shareholders

7 Management Discussion and Analysis

16 Disclosure of Additional Information

25 Report on Review of Interim Financial Information

Interim Financial Information

26 Condensed Consolidated Statement of Comprehensive Income

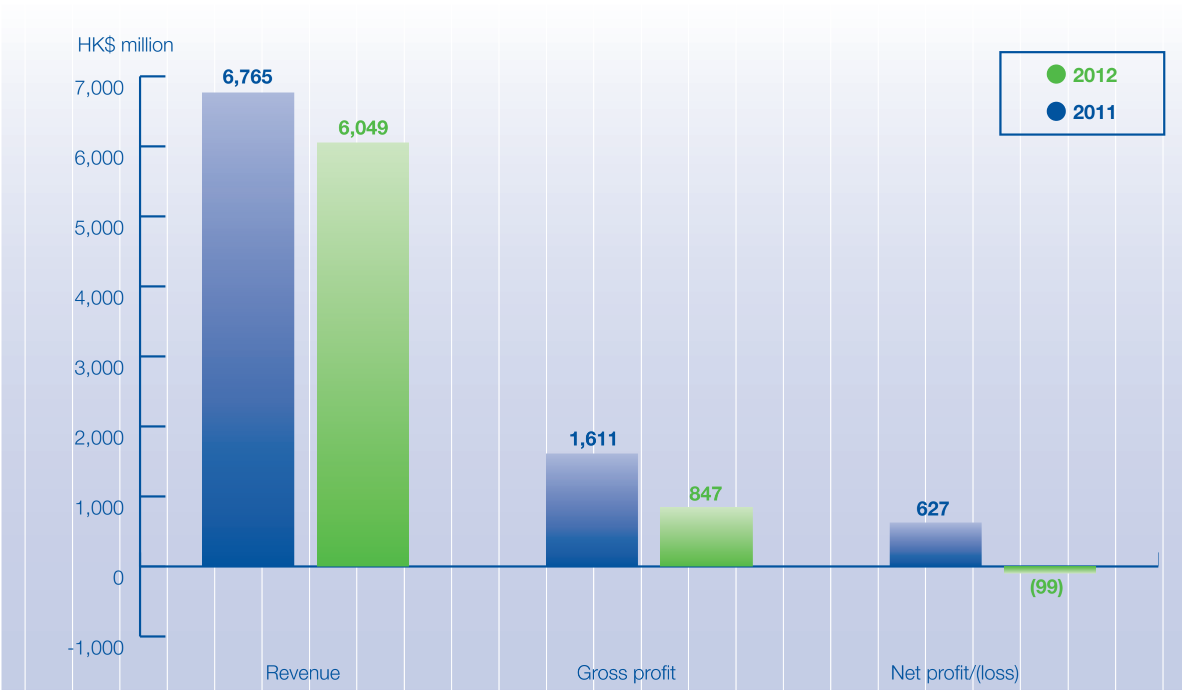
28 Condensed Consolidated Statement of Financial Position

30 Condensed Consolidated Statement of Changes in Equity

31 Condensed Consolidated Statement of Cash Flows

32 Notes to Interim Condensed Consolidated Financial Statements

Financial Highlights



	Unaudited six months ended 30 June		
	2012	2011	Change
Operating results (HK$ million)			
Revenue	**6,049**	6,765	(11)%
Gross profit	**847**	1,611	(47)%
Net profit/(loss) attributable to owners of the Company	**(99)**	627	(116)%
Basic earnings/(losses) per share (HK cents)	**(3.02)**	19.3	(116)%

Corporate Information

BOARD OF DIRECTORS

Liu Xiaoming, *Chairman*
Wang Guifeng, *Executive Director*
Xu Ziyi, *Executive Director*
Lee Yuen Kwong,
Independent Non-Executive Director
Chan Man Hon, Eric,
Independent Non-Executive Director
Li Defa,
Independent Non-Executive Director

COMPANY SECRETARY

Cheung Kin Po, CPA Australia, HKICPA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

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

The Agriculture Bank of China
6 Beian Road, Nanguan District
Changchun, Jilin Province
The People's Republic of China

China Construction Bank
No. 810 Xian Road
Changchun
Jilin Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
PO Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

By the time you read this report you should be aware of the decease of one of our core board members, the late Mr. Xu Zhouwen, who was the Co-chairman of the Company. Mr. Xu's expertise in corn refining and contribution to our product innovation was instrumental to the Group's development. I believe Mr. Xu would be best remembered by us, through continuation of the Group's growth on a foundation that Mr. Xu had played a big part in its establishment.

Global economic turmoil and slowdown in the PRC economy's growth momentum resulted in shrinking consumption and a more cautious business sentiment during the first half of the year. Softened demand had sliced commodity prices. The Group's results for the six months ended 30 June 2012 were affected by retreat in the sales volume of its products and accelerated production costs. The Group's consolidated revenue amounted to HK$6.05 billion during the period under review. Pressurized by weakened market demand and hiked costs, the Group's gross margin was adjusted to 14 per cent, with its gross and operating profits reduced to HK$847 million and HK$177 million respectively. The Group's profit and loss accounts were further hampered by certain non-cash financial adjustment. After taking into account provision for bad and doubtful debts and impairment loss for its polyol products, the Group recorded a net loss of HK$99 million for the period under review.

During the period under review, the average cost of corn kernel, the major raw material for the Group's production, rose by approximately 12 per cent as compared to that of the same period last year. Through maintaining a reasonable stock level of corn kernels in response to market condition, the Group was able to control its corn cost below market average. However, high raw material costs and reduced sales volume had trimmed the revenue as well as the gross margin of the Group's upstream corn starch operations. The Group's upstream products segment posted a loss during the period under review.

Amino acid product lines remained as the key contributor to the Group's revenue and profit. The price of lysine, a major amino acid product, began to decline since the second quarter of 2012, being the start of the off-season. Moreover, the exceptional high prices for lysine in the previous year had inevitably encouraged the development of new facilities from both existing and new competitors. Excess capacity had led to shrunken lysine price, which had cut into the gross margin of the Group's lysine products.

During the first half of the year, the Group sold close to 300,000 metric tonnes of lysine, an amount similar to that of the corresponding period of last year. An extended product line covering lysines of different concentrations catering for various users enabled the Group to safeguard its dominant position and market share in the world and domestic markets. During the period, about 70 per cent of the Group's total output was delivered to the PRC domestic market, with the balance exported to a worldwide clientele.

To cope with the future development needs of lysine products and to further reduce its production costs, the Group has completed the development of an ammonia production line in the first half of the year. Ammonia is an important ingredient for fermentation process. The production line, with an annual production capacity of 120,000 metric tonnes, is designed to enable the Group to achieve further integration in its amino acid production. Trial run of the ammonia production line had begun in the second quarter of the year.

During the period under review, the production of polyol chemical was suspended due to the relocation of Changchun polyol chemical production plant to the Group's Xinglongshan new production base. Superstructure of the Xinglongshan polyol chemical plant had been completed and equipment was gradually installed. As there was no output from the polyol chemical plant, there was only an insignificant sales volume from the Group's polyol chemical stock during the period under review.

The corn sweetener division, which was operated through a separate listed subsidiary, recorded a net loss for the period as a result of escalated raw material costs, stable selling prices as well as the subsidiary's provisions for its retail beef business. The results of this division had affected the Group's half-year performance.

The Group continued to strengthen its financial position. During the period, the Group's liquidity and financial position remained healthy, as reflected by an EBITDA of HK$497 million. Cash and cash equivalents as at 30 June 2012 amounted to approximately HK$2.1 billion.

Given the Group's healthy balance sheet and solid long-term relationship with major commercial banks, it has been able to secure new facilities or renew existing credit line at relatively favourable terms. The Group's financial resources would be sufficient to meet its capital requirement in the current and coming financial years.

PROSPECTS

The Chinese central government has been taking steps to maintain the domestic economy's momentum. In addition, the central and local governments are continuing their support to agricultural industries to ensure stable foodstuff supply. These measures are expected to bring along a more positive market sentiment in the second half of the year.

Lysine consumption is expected to improve in the second half of the year with the arrival of the industry's traditional peak season. Although we foresee continuing price fluctuations due to supply of new capacity, we believe the Group can maintain its competitiveness backed by profound fundamentals.

Corn price in Mainland China is expected to stay at a relatively high level for the rest of the year. However, the Group will continue to utilise its storage facilities to flexibly control its corn inventory in response to market condition, and leverage on its strategic location within the golden corn belt in China.

Upon completion of the relocation of the polyol chemical production facilities to Xinglongshan in the third quarter of 2012, its contribution to the Group's performance will be resumed. Centralised production and management of the polyol chemical business is conducive to future development.

Laboratory test of using corn stalk as a non food raw material for the production of corn-refined products has achieved satisfactory results. The Group will continue to intensify research and development on the application of new raw material in order to provide an alternative raw material for the Group's corn-refined products in the long run.

In light of the uncertainties in the global economic environment, the management has adopted a prudent approach in the commissioning and utilisation of its new production facilities. The 500,000 metric tonne polyol chemical project in Xinglongshan will be completed by the end of this year. The Group intends to inaugurate its production lines in phases in reaction to market demand. Under a relatively volatile financial market, we believe it is imperative to maintain a sound financial position with sufficient capital resources on hand for the Group. In the second half of the year, the Group will continue its stringent control on financial costs and expenditure.

Message to Shareholders

With a dominant market presence in lysine, and cutting edge technology in the production and development of innovative products, the Group is confident that it can weather the market challenge and emerge as a more formidable industry leader.

Liu Xiaoming
Chairman

31 August 2012

The Group is principally engaged in the manufacture and sale of corn based refined products, categorised into upstream and downstream products. Upstream products include corn starch, gluten meal and other corn refined products. Corn starch is then further refined into a wide range of high value-added downstream products including amino acids, corn sweeteners, modified starch and polyol chemical products.

BUSINESS ENVIRONMENT

As the European debt crisis continued to aggravate and ravage European countries affecting the global economy, concerns for slowing economic growth in the People Republic of China (the "PRC") began to grow. In the first half of 2012, although the PRC Government adhered to its target of maintaining steady growth which had the effect of alleviating the impacts arising from the external complicated economic situation, the overall decline in economic growth has impacted domestic consumption.

Similar to all other agricultural products, price of corn increased steadily during the Period. Such increase was due to strong demand for further processing and feed manufacturing in light of the increasing food demand. Due to the speculation that a sharp decline in corn production in the United States (the "U.S.") is expected, coupled with the possibility of domestic corn pests affecting the yield, the corn price is likely to rise further during the second half of 2012. Despite the PRC government has been imposing various strategies in stabilising the prices of agricultural products, such as restricting entry into the corn processing industry and weeding out smaller corn processors, the management expects the corn kernels price to remain stable at a relatively high level for a continuing period. The strategy of maintaining reasonable stock level of corn kernels would continue to be adopted to avoid fluctuation and possible future pressure on raw material cost.

The crude oil price was pushed up to over US$110 a barrel in the first quarter of 2012 by the Iran issue and the rebound of the U.S. economy. The gradual dilution of such protests, along with the European debt crisis, increase of the U.S. crude oil inventories and slowed down of the economies in the U.S. and PRC caused the crude oil prices dropped to around US$80 a barrel in the second quarter of 2012. Overall, the decrease in consumption of various chemicals for downstream business and the relatively low crude oil price weakened the operating environment of our polyol business during the first half of 2012. Recently, owing to the outbreak of protests in Syria and increased demand of crude oil in the U.S., the crude oil price has rebounded to over US$95 a barrel recently. The relative high level of crude oil price in the second half of 2012 is likely to strengthen the operating environment of our polyol chemicals business. Recoveries and improvements in the polyol chemicals segment will be expected for the rest of 2012.

FINANCIAL PERFORMANCE

(Revenue: HK$6 billion (2011: HK$6.8 billion))
(Gross profit: HK$847 million (2011: HK$1,611 million))
(Net loss: HK$140 million (2011: Net profit HK$677 million))

The decline in financial performance was mainly due to (i) the net loss recorded by the Group during the month of June 2012 due to loss in upstream business of the Group pressured by increasing raw material costs and the slip of selling prices of lysine products; (ii) the impairment loss made by the Group for polyol chemicals due to the decrease of selling prices; (iii) the provision made by the Group for bad and doubtful debt in relation to the Group's trade receivables which have been long due; and (iv) the provision made by a non-wholly owned subsidiary of the Company during the Period in relation to its retail beef business.

Upstream products segment

(Revenue: HK$1.6 billion (2011: HK$1.8 billion))
(Gross loss: HK$82 million (2011: Gross profit HK$100 million))

During the Period, the average cost of corn kernels increased by approximately 12% to approximately HK$2,257 (2011: HK$2,024) per metric tonne while the average selling price of corn starch decreased by approximately 1% to approximately HK$3,313 (2011: HK$3,330) per metric tonne, as compared to the same period last year.

Together with the decrease of approximately 14% in sales volume of all upstream products, the revenue and gross profit decreased approximately 12% and 182% respectively. The gross loss margin was approximately 5% (2011: Gross profit margin 6%) due to the significant decrease in gross profit contributed by corn starch by approximately HK$199 million to approximately HK$48 million (2011: HK$247 million) from the same period last year and the loss incurred of approximately HK$130 million (2011: HK$147 million) by the upstream by-products during the Period. Although the average selling price for those upstream products had increased by approximately 3%, such increase could not offset the increased margin of the costs of corn kernels and other related direct costs. The business model of upstream business is typically stable despite the fluctuation of cost of corn kernels and the corn starch mainly serves as a feedstock to the further downstream high value-added business.

FINANCIAL PERFORMANCE *(Continued)*

Downstream products segment

(Revenue: HK$4.5 billion (2011: HK$4.9 billion))
(Gross profit: HK$945 million (2011: HK$1,506 million))

The revenue and gross profit of downstream products decreased substantially by approximately 9% and 37% respectively during the first half of 2012, which were mainly attributable to the retreat in the sale volume and the sharp rise of the average cost of goods sold of almost all of the downstream products. The changes in sales volume, average selling price, average cost of goods sold, revenue and gross profit for the Period as compared to the same period last year are summarised as follows:

	Changes of downstream product series for the Period				
Product series	**Sales volume**	**Average selling price**	**Average cost of goods sold**	**Revenue**	**Gross profit**
Amino acids	(1%)	(2%)	11%	(4%)	(27%)
Polyol chemicals	(64%)	(7%)	65%	(67%)	(184%)
Modified starch	25%	5%	19%	32%	(47%)
Corn sweeteners	0%	2%	9%	1%	(26%)
Overall	(6%)	(3%)	10%	(9%)	(37%)

Among those downstream products series, the revenue and gross profit of amino acids for the Period amounted to approximately HK$3.2 billion (2011: HK$3.3 billion) and approximately HK$881 million (2011: HK$1,198 million) respectively, which accounted for approximately 53% (2011: 49%) and approximately 104% (2011: 74%) of the Group's total revenue and total gross profit respectively. Although the decreases in the average selling price and the sales volume of amino acids was only approximately 2% and 1% respectively, the gross profit decreased by approximately 27% mainly due to the rises of raw materials costs in compared with the same period last year.

The average selling price of modified starch division was improved gradually by approximately 5% in compared with the same period last year owing to the recovery of the price of paper. However, the contribution of gross profit to the Group from this division was decreased to approximately HK$12 million (2011: HK$23 million) during the Period.

The polyol chemicals division generated revenue of approximately HK$184 million (2011: HK$556 million) and contributed gross loss amounting to approximately HK$84 million (2011: Gross profit HK$100 million). Such decline was mainly due to the relocation of polyol factory that occurred since September 2011, the sales volume decreased by approximately 64% to approximately 22,000 metric tonnes (2011: 62,000 metric tonnes). Besides, the drop of market prices of chemical products and crude oil price since the second quarter of 2012, which drove down the selling price of those related reined chemical products. The average selling price of the polyol chemicals decreased by 7% as compared to that of the corresponding period last year. Moreover, an additional provision of closing inventories of polyol chemical by-products amounted to approximately HK$58 million at 30 June 2012 (2011: Nil) was made. As a result, this division recorded a gross loss margin of approximately 46% (2011: Gross profit margin 18%) during the Period. The management expects the production of polyol chemicals will be resumed in the last quarter of 2012. In view of the enhancement in the products output and quality, the stability of crude oil price and the image of green products, the Directors believe that our polyol chemicals division would operate steadily and profitably after the resumption.

FINANCIAL PERFORMANCE *(Continued)*

Downstream products segment *(Continued)*

The operating environment of corn sweeteners was stable during the Period. The sales volume remained at similar level and revenue of sweeteners division increased by approximately 1% as compared with the corresponding period last year. However, the gross profit from this division dropped to approximately HK$135 million (2011: HK$184 million) during the Period which was mainly due to the increase in raw material costs.

Export Sales

The Group generated revenue of approximately HK$1,545 million (2011: HK$1,364 million) from export sales representing an increase of HK$181 million or 13% as compared to the same period of last year and it accounted for approximately 26% (2011: 20%) of the Group's total revenue. The significant change was due to the success of vigorous expansion of European market accompanied with the slowdown of PRC domestic sales.

Biological products segment

As the non-wholly owned subsidiary of the Company which operates this business segment has decided to slow down its retail beef business, this segment has recorded a revenue and gross loss of approximately HK$3 million (2011: HK$66 million) and HK$15 million (2011: gross profit of HK$5 million) respectively.

Product segment

The revenue and gross loss of upstream products accounted for approximately 26% (2011: 26%) and approximately 10% (2011: Gross profit 6%) of the Group's total revenue and total gross profit respectively. Although there was no significant change in revenue on product segments, the percentage of gross profit contributed by the upstream products dropped because of the rise in raw materials costs.

Operating expenses, finance costs and income tax expense

Due to the decrease of approximately 10% in sales volume of the Group, the selling and distribution costs amounted to approximately HK$330 million (2011: HK$343 million), representing a decrease of approximately 4% over the same period last year. Nevertheless, the ratio of such operating expenses over the Group's revenue increased slightly to approximately 5.5% (2011: 5%) as the sales amount of the Group decreased by approximately 11% over the corresponding period last year.

The administrative expenses of approximately HK$185 million (2011: HK$177 million) increased by approximately 4% over the corresponding period last year. Nevertheless, the ratio of such administrative expenses to turnover remained at similar level, due to the Group's continual effort in imposing stringent controls over such expenses.

FINANCIAL PERFORMANCE *(Continued)*

Operating expenses, finance costs and income tax expense *(Continued)*

The other operating expenses for the Period amounted to approximately HK$208 million (2011: HK$42 million) mainly comprising of legal expenses of approximately HK$6 million (2011: HK$8 million) for the infringement litigation in Europe; the research and development expenses of approximately HK$9 million (2011: HK$7 million), fair value losses of approximately HK$7 million and approximately HK$6 million (2011: Nil and Nil) for the appreciation of market value of the Bonds and the USD/CNY Currency SWAP respectively, and the provision on bad and doubtful debts on trade receivables of approximately HK$179 million (2011: HK$27 million) for the sake of prudence.

Owing to the enlarged borrowing portfolio, the rise of interest rate and a notional interest of HK$48 million included for the put option granted to an investor as announced by the Company in May 2011, the finance costs of approximately HK$296 million (2011: HK$236 million) increased by approximately 26% as compared to the corresponding period last year. In view of the operation, the ratio of finance costs to revenue increased to approximately 5% (2011: 3%). However, it is anticipated that the heavy pressure from finance costs will remain during the rest of 2012.

One of the Group's subsidiaries which is in Changchun was approved as an advanced and new technology enterprise by the Jilin Government enjoying a preferential income tax rate of 15% till the year 2013. In view of the weak operating performance, income tax amounting to approximately HK$21 million (2011: HK$175 million) was charged for the Period representing a decrease of approximately 88% over the same period last year.

Profit shared by non-controlling shareholders

During the Period, Global Sweeteners Holdings Limited ("GSH") recorded a loss of approximately HK$111 million (2011: Profit of HK$104 million) in which gave rise to the loss shared by the non-controlling shareholders of GSH amounted to approximately HK$40 million (2011: Profit of HK$51 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support the strategy of maintaining high stock level of corn kernels and to meet the capital expenditure on project expansion in Xinglongshan of Changchun, the total borrowings as at 30 June 2012 increased to approximately HK$9.2 billion (31 December 2011: HK$8.6 billion). The net borrowings increased to approximately HK$7.1 billion (31 December 2011: HK$6.4 billion). Cash and cash in equivalents decreased approximately HK$141 million to approximately HK$2.1 billion (31 December 2011: HK$2.2 billion) in compared with the cash level as at 31 December 2011.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Structure of interest bearing borrowings

As at 30 June 2012, the Group's bank and other borrowings amounted to approximately HK$9.2 billion (31 December 2011: HK$8.6 billion), of which approximately 4% (31 December 2011: 4%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 96% were denominated in Renminbi ("RMB"). The average interest rate during the Period was approximately 7.1% (2011: 6.6%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 53% (31 December 2011: 66%), approximately 21% (31 December 2011: 11%) and approximately 26% (31 December 2011: 23%) respectively. The changes were mainly due to the renewal of certain bank loans with 2-year or more repayment terms and an addition of a RMB416 million loan with 10-year repayment terms was granted especially for Xinglongshan project during the Period. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Period, trade receivables turnover days remained at similar level of approximately 65 days (31 December 2011: 64 days) due to credit controls remained by the Group. Meanwhile, the trade creditors turnover days increased to approximately 52 days (31 December 2011: 40 days) because the velocity of the payment to account payables has been decreased during the Period. On the other hand, the drop of sales volume of the Group drove the inventory turnover slower and as a result, the inventory turnover days slightly increased to approximately 162 days (31 December 2011: 154 days). To avoid fluctuation and uncertain future pressure on corn kernels and other raw material costs, the Group retained the stock level at approximately HK$4.6 billion (31 December 2011: HK$4.7 billion) during the Period.

Despite the decrease of short term interest bearing borrowings of approximately HK$1 billion when compared to the position as at 31 December 2011, the current ratio and the quick ratio improved slightly to approximately 1.5 (31 December 2011: 1.3) and 0.8 (31 December 2011: 0.7) respectively. Such is due to the positive effect of decrease in short term borrowings being offset by the decrease of operating cash flow. Moreover, due to the decrease in cash and cash equivalent and the increase of interest bearing bank loans during the Period, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity increased to approximately 61% (31 December 2011: 54%) and to approximately 71% (31 December 2011: 63%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity slightly increased to approximately 38% (31 December 2011: 36%) and 79% (31 December 2011: 73%) respectively. In view of the continual support from existing bankers, the Group believes continuous financing resource for its operation can be obtained.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the purpose of hedging the exchange risk of the RMB450 million guaranteed bonds due 2014 (the "Bonds") issued in May 2011. Under the SWAP, the Group will be liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 which completely matched with the liabilities under the Bonds. The Directors believe the exchange risk of USD/RMB will be avoided by entering into the SWAP. Besides the SWAP, the Group did not use any material financial instrument for hedging purposes during the Period and the Group did not have any material hedging instrument outstanding as at 30 June 2012.

BREACH OF FINANCIAL COVENANT

Under the terms and conditions of the Bonds, the Company is required to comply with certain financial covenants, failure of which would constitute an event of default. As a result of the consolidated net loss recorded by the Company during the six months ended 30 June 2012, the Company was not able to comply with one of these financial covenants. Consequently, HSBC, which is the trustee to the bondholders, may and, if requested by bondholders of at least 25% of the aggregate principal amount of the outstanding Bonds or if so directed by a resolution passed by a majority of not less than three quarters of the votes cast at a bondholders' meeting, give written notice to the Company declaring the Bonds to be immediately due and payable.

As of 30 June 2012, the outstanding principal amount of the Bonds amounted to RMB450 million. At all times, the Company has duly paid all the interests payable thereunder in accordance with the terms and conditions of the Bonds.

As at the date of this report, no notice of acceleration for repayment has been received by the Company from the trustee. If a notice of acceleration for repayment is received, such acceleration may trigger cross-default provision under certain banking facilities ("Banking Facilities") of the Company provided by a bank in Hong Kong, whereupon the bank may by notice demand for immediate repayment thereof. The outstanding principal amount of the Banking Facilities amounted to approximately HK$71 million and HK$123 million as at the date of this report and as of 30 June 2012 respectively.

The Company will apply for a waiver from the trustee for the breach of the financial covenant and, if necessary, take other alternative remedial actions to remedy the default. However, in the event that the Company is required to redeem all of the outstanding Bonds immediately, the financial position of the Group remains strong and the Group has sufficient cash to do so, and to repay the outstanding indebtedness under the Banking Facilities if the cross-default provision is triggered.

Accordingly, the Directors consider that the breach of the financial covenant will not have a material adverse effect on the results of operations or financial condition of the Group, other than the accounting re-classification of the fair value of the Bonds amounted to approximately HK$535 million as a current liability of the Group as at 30 June 2012.

PASS AWAY OF MR. XU ZHOUWEN

As announced by the Company on 20 August 2012, Mr. Xu Zhouwen ("Mr. Xu"), one of the co-Chairmen and an executive director of the Company during the period under review, passed away on 20 August 2012. The Board considered that the decease of the late Mr. Xu will not have a material impact on the present operations of the Group.

PROSPECT

The global economy shall remain weak, but it is expected government policies will help to stabilise economic growth in the PRC in the second half of 2012. With a slow recovery in the global market, the impacts on most commodities and consumer markets remain challenging in the PRC. Nevertheless, although prices of food and necessities products have decreased, demands of such products remain strong in these segments. The Group shall adopt cautious strategies for achieving a healthy operating momentum.

From market experience, market sentiment will return to positive and encouraging conditions for the Group if there is an increasing demand in most major downstream products. It is therefore expected that the sales volume and average selling prices will continue to improve in the near future at a steady pace.

The Group shall continue to strive to maintain the market share and its leadership position through diversification of its product portfolio, forming strategic alliance with prominent market players and strengthening its research and development capabilities with respect to operations, raw materials and new product developments.

The harvest of corn, the major raw material for the Group, is expected to experience an upscale in production volume in the PRC. Unfortunately, the drought and speculating conditions might lead to a high corn price in general. The general corn refinery industry is likely to encounter heavy pressures on corn refined products' margin and a loss making status. However, the continuous growing demand in food products would improve the average selling prices of corn refined products' and the upstream business shall ease out from the harsh condition although it is only an intermediate process in supplying starch for downstream business production. The Group will utilise its storage facilities to minimise the impacts of raw material costs fluctuations.

Notwithstanding an increasing market supply of the lysine products, the demand in such products shall remain strong. The Group has continued to strengthen the production know-how, enhance productivity efficiency by improving production technologies and cost control strategies such as in-house supply of ammonia for fermentation process. In the second half of 2012, both market prices and demands are expected to improve in light of the approaching industry's peak consumption season. Although competition and price fluctuations are likely to persist in the near future, the product line is expected to yield steady and reasonable contributions to the Group.

Even as a market leader in the production line of lysine products, the Group is constantly prepared to further strengthen its market position by enhancing its competitiveness and expanding its production volume. The fermentation production facilities with a total production capacity of 800,000 metric tonnes per annum are in place in order to respond and supply to the market according the market demand and needs.

PROSPECT *(Continued)*

For the polyol chemicals products, both the resumption of the production facilities with the annual capacity of 200,000 metric tonnes and the second phase with the annual production capacity of 500,000 metric tonnes in Xinglongshan will be on track as scheduled in the second half of 2012. However, given the recent volatility in the crude oil prices, the Group shall be cautious in the operational planning of the polyol chemicals production. In the meantime, the Group is placing considerable effort in the development of using corn stalk as an alternative raw material to the production of polyol chemicals products. Progresses with satisfactory results have been achieved, and additional extensive tests will be carried out.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently the respondents in certain litigations in Europe in relation to the alleged infringement of registered patents applicable in the production of lysine. Among these litigations, the Hague District Court, on 22 August 2007, handed down its judgment ("Judgment") that the Group's L-lysine products had infringed two patents of third parties and issued orders (i) prohibiting the Group from further infringement and the offer for sale, import and/or trade of any infringing products, L-lysine products in the Netherlands with immediate effect and (ii) compensate the damages of the plaintiffs to be assessed by the court. An appeal against the judgment was lodged, but an interim decision from the Hague Appeal Court dated 29 March 2011 had been received, which upheld the Judgment.

Nevertheless, the Group has developed a bacterial strain for production of its L-lysine products which is different from those of the subject of the Judgment but of the same quality, and has ceased to use the bacterial strain that is subject to the Judgment for production L-lysine products. Therefore, the Directors believed that the decision of the Hague Appeal Court will not have any material adverse impact on the sales, financial or trading position and prospects of the Group.

For other litigations, the Directors have been advised by the Group's legal counsel that the Group has sufficient grounds to defend against the claims. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above, there was no material contingent liability of the Group as at 30 June 2012.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2012, the Group had approximately 6,000 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the production capability and development of new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	*Notes*	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Liu Xiaoming	*1*	19,090,400	489,048,000	508,138,400	15.57
Mr. Xu Zhouwen*	*2*	24,155,600	295,456,000	319,611,600	9.79
Ms. Wang Guifeng	*3*	3,000,000	–	3,000,000	0.09
Ms. Xu Ziyi**	*4*	1,550,000	–	1,550,000	0.05

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

Name of director	*Notes*	**Number of shares held**	**Approximate percentage of the issued share capital of GSH**
Mr. Liu Xiaoming	*5*	6,000,000	0.39
Mr. Xu Zhouwen*	*6*	6,000,000	0.39

* passed away on 20 August 2012
** appointed on 2 April 2012

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes:

1. 489,048,000 shares are owned by LXM Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming.

2. 295,456,000 shares are owned by Crown Asia Profits Limited, a company incorporated in the BVI. The entire issued share capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen.

3. Among these interests, 1,500,000 of which are ordinary shares of the Company held by Ms. Wang Guifeng as beneficial owner and 1,500,000 of which are underlying shares comprised in the options granted to Ms. Wang Guifeng pursuant to the share option scheme of the Company.

4. Among these interests, 1,480,000 of which are ordinary shares of the Company held by Ms. Xu Ziyi as beneficial owner and 70,000 of which are ordinary shares of the Company held by the personal representative of the late spouse of Ms. Xu.

5. These shares are underlying shares comprised in the options granted to Mr. Liu Xiaoming pursuant to the share option scheme of GSH.

6. These shares are underlying shares comprised in the options granted to Mr. Xu Zhouwen pursuant to the share option scheme of GSH.

Save as disclosed above, as at 30 June 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company and 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 2012, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Name	*Notes*	Number of ordinary shares held		Percentage of the Company's issued share capital
LXM Limited	*1*	489,048,000	(L)	14.99
Crown Asia Profits Limited	*2*	295,456,000	(L)	9.05
Mr. Kong Zhanpeng	*3*	260,176,000	(L)	7.97
Mr. Wang Tieguang	*4*	254,369,920	(L)	7.79
Hartington Profits Limited	*3*	241,920,000	(L)	7.41
Rich Mark Profits Limited	*4*	241,920,000	(L)	7.41

L = long position

Notes:

1. The entire issued capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, an executive director. Mr. Liu Xiaoming is the sole director of LXM Limited.

2. The entire issued capital of Crown Asia Profits Limited was beneficially owned by Mr. Xu Zhouwen, an executive director during the period under review. Mr. Xu Zhouwen was the sole director of Crown Asia Profits Limited. Mr. Xu passed away on 20 August 2012.

3. These shares were held as to 18,256,000 shares by Mr. Kong Zhanpeng, a former director of the Company and an executive director of Global Sweeteners Holdings Limited, a subsidiary of the Company whose shares are listed on the Stock Exchange and 241,920,000 shares by Hartington Profits Limited, a company incorporated in the BVI. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.

4. These shares were held as to 12,449,920 shares by Mr. Wang Tieguang, a former director of the Company and 241,920,000 shares by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

Save as disclosed above, as at 30 June 2012, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

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

In the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules (including CG Code provisions with effect from 1 April 2012) throughout the Period.

In compliance with the CG Code, the Company has set up an audit committee, a remuneration committee of the Board, a nomination committee and a corporate governance committee.

The Company has adopted a code of conduct regarding the Director's 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 set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standard set out in the code of conduct and the Model Code throughout the Period, except that Mr. Zhang Fusheng, a former executive Director, had dealt with shares of the Company during the Period, including the blackout period prior to the publication of the annual results of the Company for the year ended 31 December 2011 on 21 March 2012, without first notifying in writing to any of the then co-chairmen of the Board (being the Directors designated by the Board for the purpose of the Model Code) and obtaining a dated written acknowledgement prior to such dealings in shares. Mr. Zhang Fusheng was in breach of A.3(a) and B.8 of the Model Code by making the following dealings in the shares of the Company:

		Rule(s) breached	
Date of dealing	**Number of shares involved**	**A.3(a) of Appendix 10 to the Listing Rules**	**B.8 of Appendix 10 to the Listing Rules**
9 January 2012	Sale of 100,000 shares	—	✓
10 January 2012	Sale of 50,000 shares	—	✓
11 January 2012	Sale of 100,000 shares	—	✓
19 January 2012	Sale of 100,000 shares	—	✓
26 January 2012	Sale of 60,000 shares	✓	✓
27 January 2012	Sale of 50,000 shares	✓	✓
1 February 2012	Sale of 50,000 shares	✓	✓
2 February 2012	Sale of 100,000 shares	✓	✓
3 February 2012	Sale of 50,000 shares	✓	✓
8 February 2012	Sale of 100,000 shares	✓	✓
22 February 2012	Sale of 420,000 shares	✓	✓
27 February 2012	Sale of 20,000 shares	✓	✓
14 March 2012	Sale of 100,000 shares	✓	✓
16 March 2012	Sale of 60,000 shares	✓	✓
19 March 2012	Sale of 50,000 shares	✓	✓

The Company will reiterate and remind the Directors from time to time in respect of the relevant rules and requirements in relation to Directors' dealing in securities in order to ensure the compliance of the code of conduct and the Model Code.

Disclosure of Additional Information

AUDIT COMMITTEE

The audit committee ("Audit Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The chairman of the Audit Committee is Mr Lee Yuen Kwong, who is a Certified Public Accountant and has been practicing since 1990. The other members of the Audit Committee is Mr Chan Man Hon, Eric, who is a solicitor and has been practicing in Hong Kong for over 20 years and Mr Li Defa, who is the Dean of the College of Animal Science and Technology, China Agricultural University.

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

The interim results of the Group for the Period have not been audited, but have been reviewed by the Company's external auditors, Ernst & Young, and by the Audit Committee.

REMUNERATION COMMITTEE

The members of the remuneration committee ("Remuneration Committee") comprise two independent non-executive Directors, namely, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric and one executive Director, Mr. Liu Xiaoming. Mr. Chan is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

The members of the nomination committee ("Nomination Committee") comprises Mr. Liu Xiaoming, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric. Mr. Liu Xiaoming, the Chairman of the Board and an executive Director, has been appointed as the chairman of the Nomination Committee. The duties of the Nomination Committee are, among others, to review the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships.

CORPORATE GOVERNANCE COMMITTEE

The members of the corporate governance committee ("Corporate Governance Committee") comprise Mr. Liu Xiaoming, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric. Mr. Lee Yuen Kwong, an independent non-executive Director, has been appointed as the chairman of the Corporate Governance Committee. The duties of the Corporate Governance Committee are, among others, to review the Company's policies and practices on corporate governance and provide supervision over the Group's compliance with relevant requirements under the CG Code, or other laws, regulations, rules and codes as may be applicable to the Group.

SHARE OPTION SCHEME

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

Eligible participants of the Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or class or participant who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group.

And, for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on 3 September 2007 ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in general meeting (with such participant and his associates abstaining from voting).

SHARE OPTION SCHEME *(Continued)*

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer of the grant of share options but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination under the Scheme.

The subscription price for the Shares under the Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

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

	Number of share options						Price of Company's shares			
Participants	At 1 January 2012	Exercised during the period	At 30 June 2012	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options *HK$*	Closing price immediately before the grant date *HK$*	Weighted average closing price immediately before the exercise date *HK$*	Closing price at exercise date of options *HK$*
Wang Guifeng	1,500,000	–	1,500,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	N/A	N/A
Zhang Fusheng	1,500,000	–	1,500,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	N/A	N/A
Cheung Chak Fung	1,500,000	(1,500,000)	–	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	1.46	1.44
Employees	3,100,000	–	3,100,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	N/A	N/A
	7,600,000	(1,500,000)	6,100,000							

As at the date of this report, 6,100,000 Shares were available for issue under the Scheme, representing approximately 0.19% of the issued share capital of the Company as at that date.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

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

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY *(Continued)*

Eligible participants of the GSH Scheme include the following:

(i) any employee of proposed employee (whether full time of part time) of the GSH Group or any entity ("Invested Entity") in which any member of the GSH Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the GSH Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the GSH Group or any Invested Entity;

(iv) any customer of the GSH Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the GSH Group or any Invested Entity;

(vi) any shareholder of any member of the GSH Group or any Invested Entity or any holder of any securities issued by any member of the GSH Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the GSH Group or any Invested Entity; and

(viii) any other groups or classes or participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the GSH Group.

And for the purposes of the GSH Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The maximum number of unexercised share options currently permitted to be granted under the GSH Scheme is an amount equivalent, upon their exercise, to 30% of the shares of GSH in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of GSH in issue at any time. Any further grant of share options in excess of this limit is subject to GSH shareholders' approval in a general meeting.

Share options granted to substantial shareholder of GSH, or an independent non-executive director of GSH or any of their respective associates, in excess of 0.1% of the shares of GSH in issue at any time or with an aggregate value (based on the price of GSH's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to GSH shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of GSH, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination under the Scheme.

The exercise price of share options is determinable by the directors of GSH, but may not be less than the higher of (i) the Stock Exchange closing price of the shares of GSH in the date of offer of the share options; and (ii) the average Stock Exchange closing price of the GSH's shares for the five trading days immediately preceding the date of offer.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY *(Continued)*

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

Participants	Number of share options at 1 January 2012 and 30 June 2012	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options	Closing price immediately before the grant date
					HK$ per share	*HK$ per share*
Kong Zhanpeng	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Zhang Fazheng	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Xu Zhouwen*	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Lee Chi Yung	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Chan Yuk Tong	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees of GSH	3,400,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Liu Xiaoming	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
	31,400,000					

As at the date of this report, 31,400,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 2.06% of the issued share capital of GSH as at that date.

* passed away on 20 August 2012

ERNST & YOUNG
安 永

To the board of directors of Global Bio-chem Technology Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 48 which comprises the condensed consolidated statement of financial position as at 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

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

31 August 2012

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Notes	Six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	 2011 (Unaudited) *HK$'000*
REVENUE			
Sales of goods	*4*	**6,048,715**	6,765,253
Cost of sales		**(5,201,440)**	(5,154,025)
Gross profit		**847,275**	1,611,228
Other income	*4*	**56,886**	39,163
Selling and distribution costs		**(330,394)**	(342,935)
Administrative expenses		**(185,332)**	(177,365)
Other expenses		**(207,782)**	(42,367)
Finance costs	*5*	**(296,415)**	(235,615)
Share of profits/(losses) of jointly-controlled entities		**(1,324)**	399
Share of losses of associates		**(2,074)**	—
PROFIT/(LOSS) BEFORE TAX	*6*	**(119,160)**	852,508
Income tax expense	*7*	**(20,586)**	(175,413)
PROFIT/(LOSS) FOR THE PERIOD		**(139,746)**	677,095
OTHER COMPREHENSIVE INCOME			
Exchange difference on translation of financial statements of operations outside Hong Kong		**—**	321,316
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(139,746)**	998,411
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(98,567)**	626,504
Non-controlling interests		**(41,179)**	50,591
		(139,746)	677,095
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(98,567)**	922,748
Non-controlling interests		**(41,179)**	75,663
		(139,746)	998,411

		Six months ended 30 June	
		2012	2011
	Note	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	*8*	**HK(3.02) cents**	HK19.3 cents
— Diluted	*8*	**HK(3.02) cents**	HK19.3 cents

Details of the dividends proposed for the period are disclosed in note 9 to the interim condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**12,258,393**	11,638,571
Prepaid land lease payments		**671,007**	662,156
Deposits paid for acquisition of items of property, plant and equipment and prepaid land lease payments		**443,359**	323,384
Goodwill		**348,428**	348,428
Intangible assets		**36,177**	37,798
Deferred tax assets		**70,888**	31,079
Breeding biological assets	11	**9,463**	9,007
Investments in jointly-controlled entities	19	**–**	99,087
Investments in associates		**93,139**	95,213
Prepayments, deposits and other receivables		**7,825**	8,435
Total non-current assets		**13,938,679**	13,253,158
CURRENT ASSETS			
Inventories	12	**4,637,648**	4,666,897
Trade and bills receivables	13	**2,150,490**	2,517,641
Prepayments, deposits and other receivables		**1,500,956**	1,050,395
Trading biological assets	11	**1,412**	1,573
Due from jointly-controlled entities	22(b)	**–**	970
Due from associates	22(b)	**5,511**	1,493
Equity investments at fair value through profit or loss		**33,679**	33,270
Tax recoverable		**12,918**	3,165
Pledged deposits		**–**	1,971
Cash and cash equivalents		**2,079,018**	2,220,195
Total current assets		**10,421,632**	10,497,570

Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
CURRENT LIABILITIES			
Trade and bills payables	14	**1,473,840**	1,228,211
Other payables and accruals		**821,630**	753,300
Interest-bearing bank loans and other borrowings	15	**4,238,795**	5,789,314
Guaranteed bonds	16	**534,977**	—
Tax payable		**107,415**	206,907
Total current liabilities		**7,176,657**	7,977,732
NET CURRENT ASSETS		**3,244,975**	2,519,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,183,654**	15,772,996
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	15	**4,397,818**	2,309,529
Guaranteed bonds	16	**—**	527,683
Put option	17	**817,762**	769,480
Derivative financial instruments		**14,860**	8,969
Deferred tax liabilities		**264,144**	258,518
Deferred income		**34,489**	36,277
Total non-current liabilities		**5,529,073**	3,910,456
Net assets		**11,654,581**	11,862,540
EQUITY			
Equity attributable to owners of the parent			
Issued capital	18	**326,349**	326,199
Reserves		**9,682,248**	9,791,684
Proposed final dividend	9	**—**	65,240
		10,008,597	10,183,123
Non-controlling interests		**1,645,984**	1,679,417
Total equity		**11,654,581**	11,862,540

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent												
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Put option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	**326,199**	**2,429,618**	**21,188**	**621,325**	**142,987**	**329,977**	**(714,286)**	**1,503,059**	**5,457,816**	**65,240**	**10,183,123**	**1,679,417**	**11,862,540**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(98,567)**	**–**	**(98,567)**	**(41,179)**	**(139,746)**
Equity-settled share option arrangement	**150**	**2,235**	**(522)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,863**	**–**	**1,863**
Reclassification *(note 19)*	**–**	**–**	**–**	**(419)**	**–**	**–**	**–**	**(12,582)**	**419**	**–**	**(12,582)**	**–**	**(12,582)**
Non-controlling interest arising on business combination *(note 19)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,746**	**7,746**
Declared final 2011 dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(65,240)**	**(65,240)**	**–**	**(65,240)**
At 30 June 2012 (Unaudited)	**326,349**	**2,431,853***	**20,666***	**620,906***	**142,987***	**329,977***	**(714,286) ***	**1,490,477***	**5,359,668***	**–**	**10,008,597**	**1,645,984**	**11,654,581**

* These reserve accounts comprise the consolidated reserves of the Group of HK$9,682,248,000 (31 December 2011 (audited): HK$9,791,684,000) in the condensed consolidated statement of financial position as at 30 June 2012.

	Attributable to owners of the parent												
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Put option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	324,639	2,406,374	1,570	275,814	41,794	311,623	–	1,020,844	4,283,002	32,464	8,698,124	974,751	9,672,875
Profit for the period	–	–	–	–	–	–	–	–	626,504	–	626,504	50,591	677,095
Other comprehensive income for the period:													
Exchange realignment	–	–	–	–	–	–	–	294,924	–	–	294,924	23,865	318,789
Share of other comprehensive income of jointly-controlled entities	–	–	–	–	–	–	–	1,320	–	–	1,320	1,207	2,527
Total comprehensive income for the period	–	–	–	–	–	–	–	296,244	626,504	–	922,748	75,663	998,411
Deemed disposal of a subsidiary	–	–	–	–	101,193	–	–	(20,650)	–	–	80,543	633,743	714,286
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	62,920	62,920
Equity-settled share option arrangement	1,010	15,049	4,655	–	–	–	–	–	–	–	20,714	–	20,714
Equity-settled share option arrangement of a subsidiary	–	–	(154)	–	–	–	–	–	–	–	(154)	680	526
Put option reserve *(note 17)*	–	–	–	–	–	–	(714,286)	–	–	–	(714,286)	–	(714,286)
Declared final 2010 dividend	–	–	–	–	–	–	–	–	–	(32,464)	(32,464)	–	(32,464)
Proposed interim 2011 dividend	–	–	–	–	–	–	–	–	(48,847)	48,847	–	–	–
At 30 June 2011 (Unaudited)	325,649	2,421,423	6,071	275,814	142,987	311,623	(714,286)	1,296,438	4,860,659	48,847	8,975,225	1,747,757	10,722,982

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash flows from operating activities	**571,110**	729,205
Net cash flows used in investing activities	**(938,933)**	(705,854)
Net cash flows from financing activities	**224,675**	684,114
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(143,148)**	707,465
Cash and cash equivalents at beginning of period	**2,222,166**	1,679,496
Effect of foreign exchange rate changes, net	**—**	269,598
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,079,018**	2,656,559
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,908,130**	2,499,961
Non-pledged time deposits with original maturity of less than three months when acquired	**170,888**	156,598
	2,079,018	2,656,559

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the board of directors of the Company on 31 August 2012.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 1999. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. 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, 18 Harcourt Road, Hong Kong. The Group is involved in the manufacture and sale of corn refined products, corn-based biochemical products and biological products. There were no significant changes in the nature of the Group's principal activities during the period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 as at 31 December 2011.

In 2011, the Company issued 7% due 2014 guaranteed bonds (the "Bonds") with a face value of RMB450 million which are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 30 June 2012, the Bonds were stated at fair value of HK$535 million. Pursuant to the terms and conditions of the Bonds, if an event of default occurs, including the failure by the Group to comply with the required financial covenants, an early redemption at the principal amount together with accrued interest could be required if it is requested by the trustee or bondholders who hold at least 25% of the aggregate principal amount of the outstanding Bonds or if so directed by a resolution passed by a majority of not less than three quarters of the votes cast at a bondholders' meeting. At the end of the reporting period, the Group was unable to comply with one of these financial covenants. Accordingly, the whole balance of the fair value of the Bonds amounting to HK$535 million was classified as a current liability as at 30 June 2012. The directors have been taking action to rectify the non-compliance. The directors considered that the Group's inability to comply with the covenant will not result in any liquidity issue to the Group and the Group will have adequate working capital to redeem the Bonds without affecting its operations.

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted the following standards, interpretations or amendments that have been issued but are not yet effective.

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements Project	*Annual Improvements 2009-2011 Cycle*[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

3. SEGMENT INFORMATION

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

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

(b) the corn-based biochemical products segment engages in the manufacture and sale of corn-based biochemical products, including corn sweeteners, polyol chemicals and amino acids; and

(c) the biological products segment comprises the breeding of cattle and sales of beef.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, government grants and corporate expenses are excluded from this 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.

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

(a) Operating segment information

	Corn refined products		**Corn-based biochemical products**		**Biological products**		**Eliminations**		**Consolidated**	
	Six months ended 30 June									
	2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*
Revenue:										
External customer	**1,572,370**	1,782,586	**4,473,238**	4,916,477	**3,107**	66,190	**–**	–	**6,048,715**	6,765,253
Intersegment	**410,737**	1,137,515	**–**	–	**–**	–	**(410,737)**	(1,137,515)	**–**	–
Total revenue	**1,983,107**	2,920,101	**4,473,238**	4,916,477	**3,107**	66,190	**(410,737)**	(1,137,515)	**6,048,715**	6,765,253
Segment results	**(148,656)**	193,811	**397,553**	893,371	**(75,286)**	3,626	**–**	–	**173,611**	1,090,808
Unallocated revenue									**56,886**	38,781
Unallocated expenses									**(53,242)**	(41,466)
Finance costs									**(296,415)**	(235,615)
Profit/(loss) before tax									**(119,160)**	852,508
Income tax expense									**(20,586)**	(175,413)
Profit/(loss) for the period									**(139,746)**	677,095

3. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
	Six months ended 30 June					
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue:						
External customers	**4,503,374**	5,401,573	**1,545,341**	1,363,680	**6,048,715**	6,765,253

4. REVENUE AND OTHER INCOME AND GAIN

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

An analysis of other income and gain is as follows:

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Other income			
Bank interest income		**2,764**	2,228
Sales of scrap and raw materials		**22,674**	31,675
Government grants*		**4,815**	4,127
Others		**2,282**	1,133
		32,535	39,163
Gain			
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	*19*	**12,582**	—
Fair value loss of investments in jointly-controlled entities	*19*	**(1,710)**	—
Gain on bargain purchase	*19*	**13,479**	—
		56,886	39,163

* Government grants represented the rewards for environmental protection, technology innovation and improvement to certain subsidiaries located in Mainland China.

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**291,006**	260,365
Finance costs for discounted bills receivable	**9,830**	10,351
Interest on guaranteed bonds	**23,545**	4,688
Interest on put option *(Note 17)*	**48,282**	9,739
Less: Interest capitalised	**(76,248)**	(49,528)
	296,415	235,615

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Raw materials and consumables used		**3,812,254**	4,011,885
Provision for legal expenses		**5,998**	8,207
Depreciation	*10*	**305,473**	283,650
Amortisation of prepaid land premiums and intangible assets		**12,993**	11,921
Fair value loss on derivative financial instruments		**5,891**	—
Fair value gain on equity investments at fair value through profit or loss		**(749)**	—
Fair value loss on guaranteed bonds		**7,294**	—
Fair value loss of investments in jointly-controlled entities	*19*	**1,710**	—
Impairment of trade receivables and prepayments, deposits and other receivables	*13*	**179,427**	29,552
Impairment of inventories to net realisable value#		**76,950**	25,163

Included in "cost of sales" in the condensed consolidated statement of comprehensive income.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	(4,000)
Current — Mainland China:		
Income tax	**54,769**	162,895
Withholding tax	**—**	12,438
Deferred	**(34,183)**	4,080
Tax charge for the period	**20,586**	175,413

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period. In the prior period, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

The statutory tax rate for all subsidiaries in Mainland China is 25% for the six months ended 30 June 2012 (2011: 25%).

Changchun Dahe Bio Technology Development Co., Ltd. was approved as an advanced and new technology enterprise by the Jilin Government for the period from 5 November 2010 to 4 November 2013. It enjoys a preferential income tax rate of 15% from 1 January 2010 onwards.

One (2011: five) subsidiary was subject to tax concessions in 2012. It was granted tax concessions by the State Tax Bureau in accordance with the Enterprise Income Tax Law of the People's Republic of China (the "EITL") and the corresponding transitional tax concession policy under which the subsidiary would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,262,246,070 (six months ended 30 June 2011: 3,247,465,407) in issue during the period.

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

The calculation of the diluted earnings per share amount for the period ended 30 June 2011 was based on the profit attributable to owners of the parent of approximately HK$626,504,000 and weighted average number of ordinary shares of 3,247,465,407 in issue during the period, as used in the basic earnings per share calculation, plus the weighted average of 3,452,366 ordinary shares assumed to be issued at no consideration on the deemed exercise of the share options during the period.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK1.5 cent per share).

10. PROPERTY, PLANT AND EQUIPMENT

	Notes	**30 June 2012 (Unaudited)** ***HK$'000***	31 December 2011 (Audited) *HK$'000*
At 1 January		**11,638,571**	9,678,118
Additions		**897,181**	1,893,394
Acquisition of subsidiaries	*19*	**28,520**	—
Exchange realignment		**—**	566,559
Surplus on revaluation		**—**	485,460
Disposals		**(406)**	(5,038)
Loss of control of a subsidiary		**—**	(386,865)
Depreciation	*6*	**(305,473)**	(593,057)
At 30 June 2012/31 December 2011		**12,258,393**	11,638,571

11. BIOLOGICAL ASSETS

At the end of the reporting period, the Group's total amounts of biological assets are as follows:

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Breeding biological assets	**9,463**	9,007
Trading biological assets	**1,412**	1,573
	10,875	10,580

The Group's biological assets comprise breeding cattle and trading cattle.

The Group's biological assets were revalued at the end of each year on a fair value basis. As at 31 December 2011, the Group's biological assets were independently valued by American Appraisal China Limited. The fair value less estimated point-of-sale costs of the biological assets was determined using the market approach, which was determined based on the most recent market transaction prices.

12. INVENTORIES

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Raw materials	**3,095,613**	3,189,304
Finished goods	**1,542,035**	1,477,593
	4,637,648	4,666,897

As at 30 June 2012, certain inventories were written down to net realisable value which amounted to approximately HK$695,561,000 (31 December 2011: HK$597,797,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Trade receivables	**1,951,863**	2,083,299
Bills receivable	**433,548**	489,836
	2,385,411	2,573,135
Impairment	**(234,921)**	(55,494)
Total	**2,150,490**	2,517,641

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days were allowed to some major customers with a 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 senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

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

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Within 1 month	**673,540**	867,539
1 to 2 months	**322,551**	439,410
2 to 3 months	**179,787**	185,654
3 to 6 months	**499,035**	709,288
Over 6 months	**475,577**	315,750
Total	**2,150,490**	2,517,641

13. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2012 (Unaudited) *HK$'000*	2011 (Audited) *HK$'000*
At 1 January	**55,494**	33,811
Impairment losses recognised	**185,806**	36,213
Impairment losses reversed	**(6,379)**	(12,173)
Write-off	**–**	(2,439)
Exchange realignment	**–**	82
At 30 June 2012/31 December 2011	**234,921**	55,494

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

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Neither past due nor impaired	**1,175,878**	1,492,603
Less than 1 month past due	**205,372**	487,821
1 to 3 months past due	**293,663**	479,807
Over 3 months past due	**475,577**	57,410
Total	**2,150,490**	2,517,641

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

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

One (31 December 2011: two) subsidiary has pledged trade receivables of approximately HK$27,687,000 (31 December 2011: HK$116,632,000) to secure bank loans.

14. TRADE AND BILLS PAYABLES

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

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

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Within 1 month	**867,225**	928,554
1 to 2 months	**297,059**	96,238
2 to 3 months	**78,793**	44,090
Over 3 months	**230,763**	159,329
Total	**1,473,840**	1,228,211

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2012			31 December 2011		
	Effective annual interest rate %	**Maturity**	**(Unaudited) *HK$'000***	Effective annual interest rate %	Maturity	(Audited) *HK$'000*
Current						
Bank loans – secured	**6.76**	**2013**	**24,390**	6.56	2012	104,098
Bank loans – unsecured	**5.90-7.87**	**2012-2013**	**3,897,740**	6.06-7.26/ HIBOR+1.5/ HIBOR+3 / HIBOR+2/ LIBOR+4.5	On demand/ 2012	5,477,828
Long term bank loans repayable on demand – secured	**HIBOR+3/ HIBOR+2/ HIBOR+1.5/ LIBOR+4 / LIBOR+4.5/ HIBOR+3.3**	**On demand**	**316,665**	7.87/ HIBOR+3/ HIBOR+2/ LIBOR+4.5/ HIBOR+1.5	On demand	207,388
			4,238,795			5,789,314
Non-current						
Bank loans – unsecured	**6.40-7.05**	**2013-2020**	**4,386,159**	6.39-6.98	2013-2020	2,297,870
Other loans – unsecured		**2018-2019**	**11,659**	–	2018-2019	11,659
			4,397,818			2,309,529
			8,636,613			8,098,843

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS *(Continued)*

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**4,238,795**	5,789,314
In the second year	**595,122**	351,220
In the third to fifth years, inclusive	**1,412,988**	19,821
Beyond five years	**2,378,049**	1,926,829
	8,624,954	8,087,184
Other borrowings repayable:		
Beyond five years	**11,659**	11,659
	11,659	11,659
	8,636,613	8,098,843

At 30 June 2012, the Group's bank loans amounting to HK$24,390,000 (31 December 2011: HK$104,098,000) were secured by certain trade and bills receivables, which had a carrying value of HK$27,687,000 (31 December 2011: HK$116,632,000).

At 30 June 2012, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with amounts of approximately HK$7,205,863,000 (31 December 2011: HK$6,748,027,000) and approximately HK$1,219,086,000 (31 December 2011: HK$1,058,903,000), respectively.

16. GUARANTEED BONDS

On 16 May 2011, the Company issued fixed rate guaranteed bonds in an aggregate amount of RMB450 million. The guaranteed bonds bear fixed interest at 7% per annum and will be fully repayable on 16 May 2014. The guaranteed bonds are listed on the SGX-ST and guaranteed by the subsidiaries of the Company, other than any subsidiaries of the Company established under the law of the PRC, Global Sweeteners Holdings Limited ("GSH"), Global Bio-chem Technology Americas Inc., GBT Europe GmbH and any of their respective subsidiaries. The guaranteed bonds were a financial liability as defined under HKAS 39 and were measured at fair value.

As further explained in note 2 to the financial statements, at the end of the reporting period, the Group was unable to comply with one of the required financial covenants under the terms and conditions of the bonds and accordingly the whole balance of the guaranteed bonds amounting to HK$535 million was classified as a current liability as at 30 June 2012.

17. PUT OPTION

On 20 May 2011, China Bio-chem Group Limited ("China Bio-Chem Group"), China Bio-chem Investments Limited ("China Bio-Chem Investments") and Changchun Dacheng Bio-tech Development Co., Ltd. ("Dacheng Bio-tech") all being wholly-owned subsidiaries of the Company, entered into the Capital Increase Agreement with the Investor, pursuant to which the Investor agreed to make the Capital Contribution totally in the amount of RMB600 million in cash to the registered capital of Dacheng Bio-Tech.

Under the Capital Increase Agreement, China Bio-Chem Investments has agreed to grant to the Investor a put option in respect of the right to request China Bio-chem Investments to acquire from the Investor all (but not part) of the Investor's interests in the registered capital of Dacheng Bio-Tech then held by the Investor, for cash at the consideration representing 125% of the amount of the registered capital of Dacheng Bio-Tech to be so acquired.

The put option was a financial liability as defined under HKAS 39 and was carried in the statement of financial position at amortised cost in accordance with HKAS 39.

Change in carrying value of the put option from the date of issue to 30 June 2012 is set out as follows:

	Note	**30 June 2012 (Unaudited)** ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Financial liabilities:			
At 1 January 2012/20 May 2011, date of issue		**769,480**	714,286
Amortisation provided during the period/year	*5*	**48,282**	55,194
At 30 June 2012/31 December 2011		**817,762**	769,480

18. ISSUED CAPITAL

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

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Authorised:		
10,000,000,000 (31 December 2011: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,263,489,164 (31 December 2011: 3,261,989,164) ordinary shares of HK$0.10 each	**326,349**	326,199

19. BUSINESS COMBINATION

On 30 March 2012, Global Sweeteners Investment Limited, a subsidiary of the Company, entered into an acquisition agreement with Cargill, Incorporated ("Cargill, Inc.") to acquire (i) the remaining 50% equity interests in Global Bio-chem-Cargill (Holdings) Limited ("Cargill HK"), which held an 80% equity interest in GBT-Cargill High Fructose (Shanghai) Co., Ltd. ("Cargill SH"); (ii) the remaining 10% equity interest in Cargill SH held by Cargill Investments (China) Ltd. ("Cargill China"); and (iii) the rights, interest and benefits of a promissory note in favor of Cargill, Inc. in the principal amount of HK$40 million due on 25 September 2101. The consideration for (i) and (iii) is HK$26,661,858 while consideration for (ii) is HK$6,314,714, which were all satisfied by cash. The consideration for (i) and (iii) was paid on 30 March 2012 while the consideration for (ii) shall be paid upon completion of the acquisition of the 10% equity interest in Cargill SH. Cargill HK and its subsidiary Cargill SH are engaged in the manufacture and sale of high fructose corn syrup.

After the completion of (i) and (iii) on 30 March 2012, Cargill HK and Cargill SH, the former jointly-controlled entities of the Company, became the subsidiaries of the Company.

This is regarded as a business combination achieved in stages. The Group accordingly remeasured its previously held equity interest in Cargill HK and Cargill SH at the acquisition-date at fair value and recognise the resulting loss of HK$1,710,000 in the condensed consolidated statement of comprehensive income. The exchange differences of HK$12,582,000 and revaluation surplus of HK$419,000 recognised in the prior years' other comprehensive income have also been reclassified to the Group's profit and loss and the Group's retained profits, respectively, as would be required if the Group had disposed directly of the previously held equity interest.

19. BUSINESS COMBINATION *(Continued)*

The fair values of the identifiable assets and liabilities of Cargill HK and Cargill SH as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*
Property, plant and equipment	*10*	28,520
Prepaid land lease payments		19,829
Inventories		862
Prepayments and other receivables		1,794
Due from fellow subsidiaries		319
Cash and bank balances		90,903
Dividend payable		(20,000)
Trade payable		(117)
Due to fellow subsidiaries		(957)
Other payables		(688)
Tax payable		(202)
Deferred tax liability		(3,959)
Due to shareholders		(1,456)
Total identifiable net assets at fair value		114,848
Gain on bargain purchase recognised in other income and gains in the consolidated statement of comprehensive income	*4*	(13,479)
Fair value of non-controlling interest		(7,746)
Assignment of promissory note		1,456
		95,079
Satisfied by:		
Cash		26,662
Fair value of investments in jointly-controlled entities held before the acquisition		28,417
Loan to a jointly-controlled entity*		40,000
		95,079

19. BUSINESS COMBINATION *(Continued)*

* Loan to a jointly-controlled entity represented a quasi-equity loan lent by the Group since the incorporation of the jointly-controlled entity.

The fair values of other receivables as at the date of acquisition amounted to HK$1,794,000. The gross contractual amounts of other receivables were HK$1,794,000.

The Group incurred transaction costs of HK$1,282,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of comprehensive income.

An analysis of the cash flows in respect of the acquisition of the remaining interests in the jointly-controlled entities is as follows:

	HK$'000
Cash consideration	(26,662)
Cash and bank balances acquired	90,903
Net inflow of cash and cash equivalents included in cash flows from investing activities	64,241
Transaction costs of the acquisition included in cash flows from operating activities	(1,282)
	62,959

Since the acquisition, Cargill HK and its subsidiary Cargill SH contributed nil to the Group's turnover and a loss of HK$1,250,000 to the consolidated loss for the period ended 30 June 2012.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the loss of the Group for the period would have been HK$6,048,715,000 and HK$141,070,000, respectively.

20. CONTINGENT LIABILITIES

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

At 30 June 2012, the banking facilities granted to the Company's subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$7,205,863,000 (31 December 2011: HK$6,748,027,000).

21. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Contracted, but not provided for:		
Land premiums and leasehold buildings	**644,409**	616,465
Plant and machinery	**516,609**	600,722
	1,161,018	1,217,187

22. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the period, the following related party transactions were deemed as non-recurring transactions since after the business combination as disclosed in note 19 to the interim condensed consolidated financial statements, the former jointly-controlled entities of the Group became the subsidiaries of the Group.

	Notes	Six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Sales of corn starch to a jointly-controlled entity	*(i)*	**–**	28,507
Purchase of corn sweeteners from a jointly-controlled entity	*(i)*	**–**	127
Utility costs charged to a jointly-controlled entity	*(ii)*	**–**	4,961

(i) The transactions with Cargill SH, a jointly-controlled entity in which the Group effectively holds a 50% equity interest, were made at prices mutually agreed between the parties.

(ii) The utility costs were charged to Cargill SH, a jointly-controlled entity of the Group, based on the actual costs incurred.

22. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Due from jointly-controlled entities	**–**	970
Due from an associate	**5,511**	1,493

The short term balances with jointly-controlled entities and an associate are unsecured, interest-free and have no fixed terms of repayment. The balances approximate to their fair values.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2012 (Unaudited) ***HK$'000***	2011 (Unaudited) *HK$'000*
Short term employee benefits	**14,158**	11,288
Post-employment benefits	**14**	42
Equity-settled share option expense	**–**	4,970
Total compensation paid to key management personnel	**14,172**	16,300