大成糖業控股有限公司

GLOBAL Sweeteners Holdings Limited

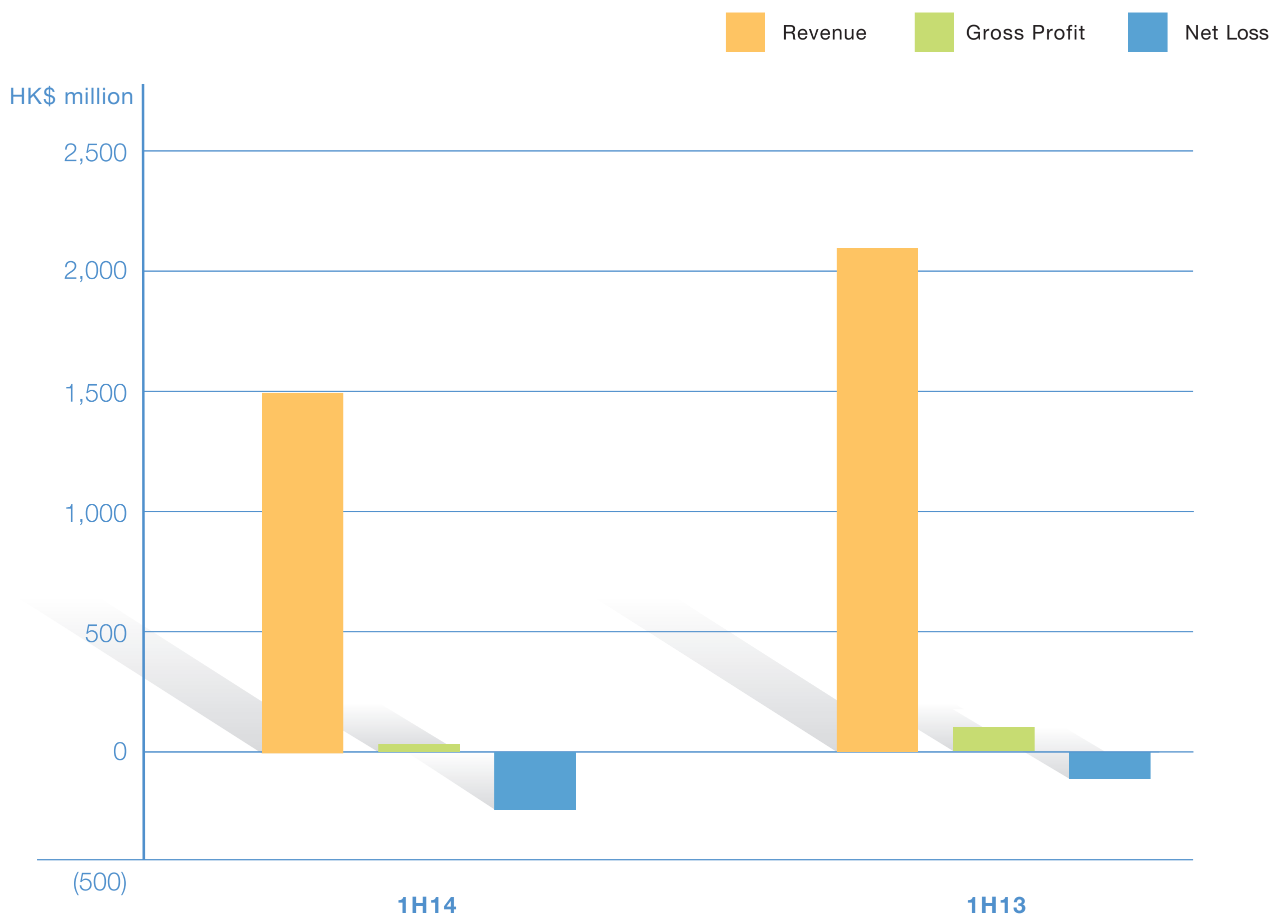
(incorporated in the Cayman Islands with limited liability)
Stock Code: 03889 HK
913889 TW

INTERIM REPORT 2014

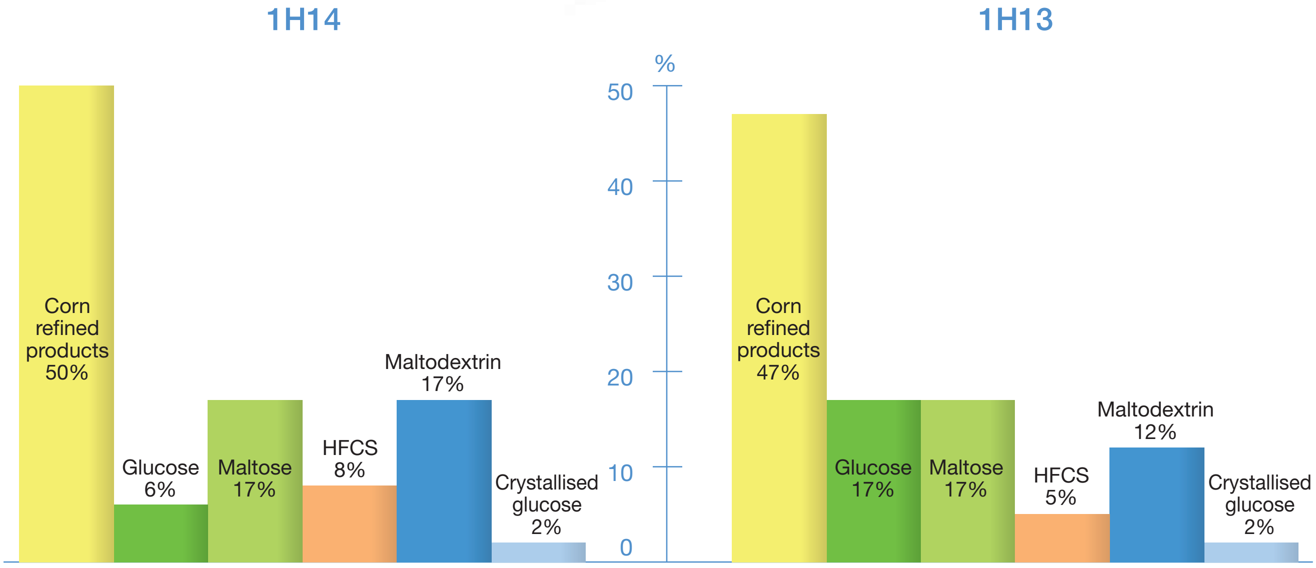
CONTENTS

FINANCIAL HIGHLIGHTS

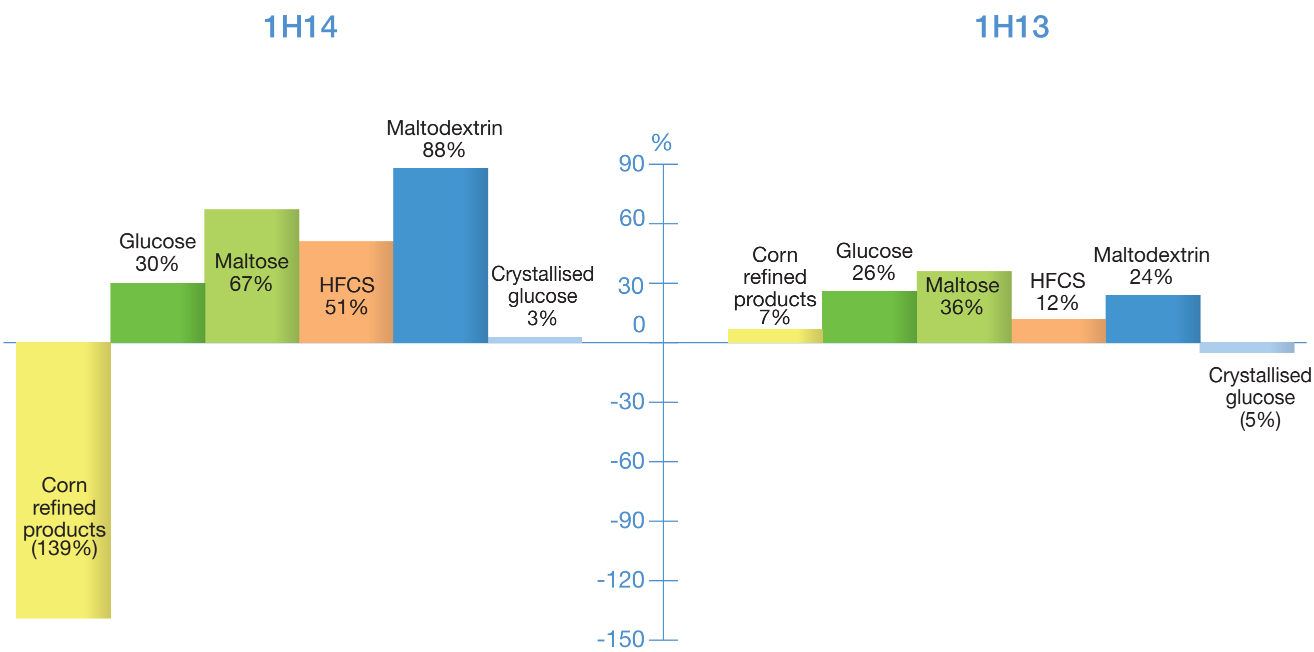
	Six months ended 30 June (Unaudited) 2014 (HK$ million)	2013 (HK$ million)	Change %
Revenue	**1,499**	2,095	(28.4)
Gross profit	**33**	98	(66.3)
Loss before tax from continuing operations	**(234)**	(100)	N/A
Net loss from ordinary activities attributable to shareholders	**(240)**	(110)	N/A
Basic loss per share (HK cents)	**(15.72)**	(7.17)	N/A
Basic loss per share from continuing operations (HK cents)	**(15.72)**	(7.02)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A



REVENUE DISTRIBUTION



GROSS PROFIT/(LOSS) DISTRIBUTION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Kong Zhanpeng *(Chairman and Chief Executive Officer)*
Lee Chi Yung
Nie Zhiguo *(Appointed on 3 March 2014)*
Wang Guifeng *(Appointed on 3 March 2014)*
Zhang Fazheng *(Retired on 20 May 2014)*

Independent non-executive Directors

Chan Yuk Tong
Gao Yunchun *(Resigned on 3 March 2014)*
Ho Lic Ki
Lo Kwing Yu *(Appointed on 3 March 2014)*

COMPANY SECRETARY

Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2403
Admiralty Centre Tower II
No. 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 BANKER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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WEBSITE

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STOCK CODE

03889 HK
913889 TW

To the Shareholders:

During the first half of 2014, the pace of economic growth in China continued to slow down as indicated by the stagnant property prices and PPI. The lacklustre food and beverage industry in China has constrained the demand growth for corn refined and sweetener products. Consequently, sales prices of such products were put under pressure.

With respect to raw material cost, corn price remained strong as a result of the State's protective agricultural policy. Price of cane sugar, a substitute of the Group's sweetener products, however, continued to decline due to excess supply in both international and domestic markets. In addition, over capacity of corn sweeteners together with sluggish consumption have pressured the sales volume of the Group's sweetener products.

Hammered by the unfavourable market condition, the sales revenue of the Group for the six months ended 30 June 2014 dropped by 28.4% to HK$1,499,000,000 as compared with the corresponding period last year. The depressed product prices and the rise in production cost resulting from low utilisation of the Group's production facilities have widened the Group's net loss to HK$240,000,000 for the period under review.

BUSINESS REVIEW

During the period, the increase in global soybean production has lowered the competitiveness of corn-refined feed products and corn oil. In China, excess capacity of corn refinery has kept the price of corn starch at a low level. Together with the suspension of upstream production in Changchun since end of March this year, the Group's overall sales volume for the first half of 2014 declined by approximately 28.7% year on year to 476,000 metric tonnes. Low facility utilisation had translated into higher unit production costs, which had already been heightened by the strong corn price distorted by the State government's policy intervention. As a result, the Group reported a gross loss in its upstream segment for the period under review.

In respect of sugar price, increase in production volume in major sugar producing countries has suppressed the international sugar price. Situation in China was similar but was further complicated by the influx of imported sugar. The low sugar price has dragged down the prices of corn sweeteners. Together with the low utilisation rate of the Changchun production facilities as a result of relocation, the revenue of the Group's downstream segment dropped by 32.3% to HK$756,000,000. During the period, the reallocation of depreciation from cost of sales as a result of idle capacity of Changchun production facilities led to the decrease in the average unit production cost. In addition, the Group focused its effort on the high-end market and enhanced customer service, leveraging on its established brand name. Consequently, gross profit margin of the downstream segment increased to 10.4%.

Due to the discrepancy between the international and domestic prices of corn and cane sugar, the export sales of the Group dropped by 36.6% to HK$85,000,000 during the period under review.

At the end of last year, the Group has entered into compensation agreements with Changchun Land Reserve Centre in relation to a piece of land with a site area of approximately 70,000 square metres located on the Group's Changchun plant and the building and fixtures erected thereon. Such resumption compensations have been received by the Group in the first quarter of this year. During the period, relocation of the Changchun production facilities was on progress.

On 21 August 2014, the Changchun Land Reserve Centre and the Group entered into mutual framework agreements pursuant to which the parties reached a preliminary understanding on the intention of the resumption of land located on the east side of Xihuancheng Road, Changchun, the PRC. The Company will make further announcement upon finalisation of the relevant terms and conditions.

In light of the increasing volatile market environment, the Group has strengthened its liquidity management during the period under review. In addition to tightened credit control, the Group also enhanced its supply chain management to reduce inventory level. To further lower its interest expenditure, the Group has lowered its bank borrowings by approximately HK$290,000,000 during the period.

MESSAGE TO SHAREHOLDERS

OUTLOOK

In view of the State government's concern about national food security, it is expected that the protective agricultural policy will continue in China to maintain farmers' incentive. The management of the Group anticipates corn price in China will maintain at current level and the seasonality pattern will gradually fade. As such, the Group will adopt a more flexible approach in corn purchase and maintain lower corn inventory to allow better utilisation of its capital.

Although the market continues to face excess supply of corn refined products, there is sign of modest recovery in corn starch prices. Such development is expected to contribute to a healthier market environment in the second half of the year.

The Group's new corn refinery production line in Jinzhou commenced trial run in the first quarter of this year. The Group will gradually ramp up its utilisation by stages with reference to changing market condition.

In Changchun, the relocation plan will continue in the second half of the year and is expected to complete by the first half of 2015. The relocation provides an opportunity for the Group to re-structure its product mix and capacity to appropriately address market needs, and at the same time, upgrade its production facilities and streamline production processes to enhance efficiency.

The market volatility in the past years was rooted from over-capacity, indicating that opting for large market share and economies of scale alone no longer provide competitive advantage. Going forward, Global Sweeteners will continue its effort to diversify its product range and focus on high-end market. To align with the Group's strategies, the Group adopts a customer-oriented marketing approach, leveraging on its well-established brand name and research and development expertise to develop high value-added products tailored to the customer needs. During the period, the Group also launched small amount of retail package products to end users to test the market and the products have been well-received. In the second half of the year, the Group will continue to deploy resources in the related research and development, and sales and marketing for this segment. The management is confident that such approach will differentiate the Group from other competitors in view of current market condition.

In face of severe market adjustment, the Group will maintain its prudent approach in financial and risk management, focus on its core business and continue to strengthen its market position with its strong brand recognition and continuous efforts in research and development to weather the business down cycle.

Kong Zhanpeng
Chairman and Chief Executive Officer

29 August 2014

Global Sweeteners Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the production and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group’s upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is then refined downstream to produce various corn sweeteners which are classified into two categories: corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in the corn procurement business, which corn kernels are purchased directly from corn origination silos for cost savings.

BUSINESS ENVIRONMENT

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

The Crimean Crisis in Ukraine, the third largest corn exporting country, has stimulated the international corn price in the first quarter of 2014. However, as the climate conditions turned favourable in May, the corn harvest in the United States of America (“US”) is expected to outperform expectations in 2014. Consequently, international corn price dropped from 523 US cents per bushel (equivalent to RMB1,282 per metric tonne (“MT”)) to 417 US cents per bushel (equivalent to RMB1,018 per MT) by the end of the six months ended 30 June 2014 (“Period”). While in the People’s Republic of China (the “PRC”), corn harvest in 2013/14 exceeded 218 million MT (2012/13: approximately 205 million MT), representing a 6.3% increase year on year. Despite this, corn price in China remained high during 2014. The PRC government has adopted a series of measures since the end of 2013 to stabilise domestic corn price, including the increase in national corn reserves to 69 million MT (2013: 31 million MT), representing 31.7% of the total corn harvest in 2013/14. As a result, the average purchase price of corn kernels remained at approximately RMB1,985 per MT (2013: RMB2,004 per MT) for the Period.

Despite the PRC government’s continuous efforts to stimulate economic growth, the depressed property prices and industrial production suggest that pace of economic growth in China remained slow. Sentiment among buyers and manufacturers stayed conservative as reflected in China’s Purchasing Managers Index. Consequently, the market selling price of the Group’s products remained weak. In addition, as the market is flooded with excess supply of corn starch, the price of upstream products hit the record low in the first quarter of 2014 at approximately RMB2,460 per MT, putting the Group’s upstream business under pressure.

In respect of sugar price movement, the abundant supply of cane sugar, a substitute of the Group’s corn sweetener products, continued to exert pressure on the market selling price of corn sweetener products. Domestic sugar price dropped further by 13.0% to approximately RMB4,700 per MT (2013: RMB5,400 per MT) by the end of the Period. On the other hand, increased production in various major sugar producing regions has pressed international sugar price to 16.6 US cents per pound (equivalent to RMB2,273 per MT) by the end of June 2014. The discrepancy between domestic and international sugar prices encouraged imports, which further pressured the prices of the Group’s sweetener products.

In view of the increasingly challenging operating environment, the Group will continue to strengthen its market position leveraging on its brand name and further improving operation efficiency through continuous research and development efforts to lower operating costs. In addition, the Group will take the opportunity of relocating its production facilities to Xinglongshan, Changchun to re-adjust its product mix and capacity to adapt to market changes.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

The Group's consolidated revenue decreased by approximately 28.4% to approximately HK$1,499 million (2013: HK$2,095 million) while gross profit decreased by approximately 66.3% to HK$33 million (2013: HK$98 million) when compared to the corresponding period last year. During the Period, the Group recorded gain on asset compensation and an impairment of goodwill which amounted to approximately HK$103 million and HK$103 million respectively, as a result of the relocation of the Group's production facilities in Changchun. Consequently, the Group's net loss attributable to shareholders for the Period amounted to approximately HK$240 million (2013: HK$110 million). The above deterioration is mainly due to the low utilisation rate of the Group's production facilities in Changchun as a result of the poor operating environment since last year, and the suspension of the Group's upstream production facilities in preparation for the relocation as disclosed in an announcement of the Company dated 31 March 2014. Consequently, the Group's unit production costs remained high during the Period. The combined effect with the weak market selling prices has posed pressure on the Group's performance for the Period.

The Directors believe that the upstream industry is under the process of consolidation and such situation is only temporary. As the operating environment gradually recovers, it is expected that the utilisation rate of the Group's production facilities will improve and lower the production cost. With the Group's established leading position in the industry, the Directors believe that the Group is well positioned to withstand challenges and to capture market opportunities as they arise.

Upstream products

(Sales amount: HK$743 million (2013: HK$978 million))
(Gross loss: HK$46 million (2013: Gross profit: HK$7 million))

During the Period, the revenue and gross profit of corn procurement business amounted to approximately HK$72 million and HK$3 million (2013: HK$36 million and HK$1 million) respectively. Internal consumption of corn kernels for upstream production during the Period amounted to approximately 31,000 MT (2013: Nil).

During the Period, the sales volume of corn starch and other corn refined products were approximately 142,000 MT (2013: 150,000 MT) and 87,000 MT (2013: 163,000 MT) respectively. Internal consumption of corn starch was approximately 80,000 MT (2013: 87,000 MT), which was used as raw material for production in the Group's Changchun, Jinzhou and Shanghai production sites.

The average selling prices of corn starch decreased by approximately 7.9% to HK$3,035 per MT (2013: HK$3,295 per MT) while other corn refined products increased by approximately 1.1% to HK$2,762 per MT (2013: HK$2,732 per MT) as compared to the corresponding period last year. As the average unit production cost increased during the Period, the corn starch segment recorded a gross loss margin of approximately 3.6% (2013: Gross profit margin of 6.3%) while other corn refined products segment recorded a gross loss margin of approximately 14.0% (2013: 5.8%) during the Period.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation continued during the Period and is expected to continue in the second half of 2014. As such, the Group decided to halt its production of upstream products in Changchun since 31 March 2014. The Group will closely monitor the market to determine whether the Group shall source raw materials, such as corn starch, externally from either independent third parties or Global Bio-chem Technology Group Company Limited ("GBT") and its subsidiaries (other than the members comprising the Group, the "GBT Group") for its downstream production; and assess from time to time whether and when shall its upstream operation at the new site in Xinglongshan Changchun, the PRC (the "Xinglongshan Site").

Corn syrup

(Sales amount: HK$462 million (2013: HK$806 million))
(Gross profit: HK$49 million (2013: HK$72 million))

During the Period, revenue of high fructose corn syrup ("HFCS") increased by 10.9% to approximately HK$112 million (2013: HK$101 million) which was mainly attributable to the increase in sales volume by 17.9% to approximately 31,000 MT (2013: 26,300 MT). The average selling price decreased by 4.0% while the average unit production cost decreased by 5.8% due to the decrease in raw material (corn starch) cost. As a result, gross profit increased by 41.7% to approximately HK$17 million (2013: HK$12 million) and the gross profit margin increased to 14.6% (2013: 12.9%).

The Group has focused on the high-end niche market for glucose syrup to differentiate from its competitors during the Period. As such, the average selling price of glucose syrup increased by approximately 28.1%. Due to the low utilisation rate of the Group's production facilities in Changchun, the sales volume decreased to approximately 26,000 MT (2013: 131,000 MT) as compared to the corresponding period last year. Consequently, the revenue of glucose syrup dropped by approximately 74.2% to approximately HK$91 million (2013: HK$353 million), while the gross profit margin of glucose syrup increased to approximately 11.3% (2013: 7.1%).

On the other hand, the keen competition in the maltose syrup market has lowered the average selling price of maltose syrup during the Period by approximately 4.5%, while the sales volume decreased by 22.4% to approximately 76,000 MT (2013: 98,000 MT) due to the low utilisation rate of the Group's production facilities in Changchun. Consequently, the revenue of maltose syrup decreased by 26.4% to approximately HK$259 million (2013: HK$352 million), and the gross profit margin of maltose syrup dropped to approximately 8.5% (2013: 9.8%).

Internal consumption of glucose syrup for downstream production during the Period decreased to approximately 9,000 MT (2013: 24,000 MT), which was mainly attributable to the decrease in the production volume of crystallised glucose.

During the Period, no glucose syrup (2013: 109,000 MT) was sold to the GBT Group.

Corn syrup solid

(Sales amount: HK$294 million (2013: HK$311 million))
(Gross profit: HK$30 million (2013: HK$19 million))

The revenue of corn syrup solid decreased by approximately 5.8% during the Period. It was mainly attributable to the drop in sales volume and average selling price of crystallised glucose by approximately 30.8% and 8.1% to 9,000 MT (2013: 13,000 MT) and HK$3,628 (2013: HK$3,949) respectively. Consequently, the revenue of crystallised glucose decreased by approximately 33.3% to approximately HK$34 million (2013: HK$51 million).

During the Period, the average selling price of maltodextrin decreased by 5.0% while the sales volume increased by 4.2% to approximately 75,000 MT (2013: 72,000 MT). As a result, the revenue of maltodextrin maintained at approximately HK$260 million (2013: HK$260 million).

During the Period, the average unit production cost of crystallised glucose and maltodextrin decreased by 20.6% and 6.7% respectively. It was mainly attributable to the reallocation of depreciation from cost of sales as a result of idle capacity of Changchun production facilities during the Period. The crystallised glucose segment recorded gross profit of approximately HK$1 million (2013: gross loss of approximately HK$5 million), notwithstanding the drop of its sales volume by 30.8%. Meanwhile, the maltodextrin segment recorded a gross profit of approximately HK$29 million (2013: HK$24 million) with a gross profit margin of 11.1% (2013: 9.5%).

During the Period, no crystallised glucose was sold to the GBT Group (2013: 400 MT).

Export sales

During the Period, the Group exported approximately 17,000 MT (2013: 45,000 MT) of upstream corn refined products and approximately 11,000 MT (2013: 7,000 MT) of corn sweeteners; their export sales amounted to approximately HK$40 million (2013: HK$105 million) and HK$45 million (2013: HK$29 million) respectively, together representing approximately 5.7% (2013: 6.4%) of the total revenue of the Group.

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

Other income and gains

During the Period, other income of the Group increased to HK$113 million (2013: HK$14 million), which was mainly attributable to the gain on assets compensation as a result of the relocation of production facilities in Changchun which amounted to approximately HK$103 million.

Selling and distribution expenses

During the Period, the selling and distribution expenses representing 7.7% (2013: 5.1%) of the Group's revenue, which represents an increase of 7.5% to approximately HK$115 million (2013: HK$107 million). Such increase was mainly attributable to the increase in direct labour costs.

Administrative expenses

During the Period, administrative expenses increased by 17.6% to approximately HK$60 million (2013: HK$51 million), representing 4.0% (2013: 2.4%) of the Group's revenue. Such increase was attributable to the increase in staff salary as a result of inflationary pressure in the PRC.

Other expenses

During the Period, other expenses of the Group increased to approximately HK$162 million (2013: HK$1 million). Such increase was attributable to the reallocation of depreciation from cost of sales as a result of the idle capacity of the Changchun production facilities and impairment of goodwill of Changchun production facilities amounted to approximately HK$52 million and HK$103 million respectively.

Finance costs

During the Period, finance costs of the Group decreased to approximately HK$45 million (2013: HK$54 million) as a result of the reduction in bank borrowings by approximately HK$631 million.

Income tax

Although the Group recorded a net loss during the Period, certain subsidiaries in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, provision for income tax expenses amounted to approximately HK$6 million was made (2013: HK$7 million).

Net loss attributable to shareholders

As a result of the high production costs and weaker than expected market selling prices, the Group recorded a net loss of approximately HK$240 million (2013: HK$110 million) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest bearing borrowings and net borrowing position

As at 30 June 2014, the Group's bank borrowings amounted to approximately HK$1,068 million (31 December 2013: HK$1,358 million), of which approximately 1.0% (31 December 2013: 1.9%) was denominated in US dollars, 5.6% (31 December 2013: 4.4%) was denominated in Hong Kong dollars and the remainder was denominated in Renminbi. The average interest rate during the Period decreased to approximately 5.3% (2013: 5.9%) per annum as a result of the decrease in the PRC interest rate.

During the Period, the Group was in compliance with the financial covenants as required in its current banking facilities and had no difficulty in renewing its banking facilities. On the contrary, the Group proactively reduced its bank borrowings by 21.4% and implemented a series of measures to strengthen its liquidity management. Such measures included restructuring of certain short term borrowings to long term ones, recovery of trade receivables and reduction of corn inventory. Consequently, the Group's net borrowings decreased by 15.4% to approximately HK$804 million (31 December 2013: HK$950 million) as at 30 June 2014.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Period, the trade receivables turnover days decreased to approximately 46 days (31 December 2013: 61 days) which was mainly attributable to the Group's stringent control on credit terms.

During the Period, trade payables turnover days decreased to approximately 18 days (31 December 2013: 38 days) as part of the cash flow management.

As at 30 June 2014, the inventory level decreased by 25.6% to approximately HK$795 million (31 December 2013: HK$1,069 million). However, with the decrease in cost of sales to approximately HK$1,466 million (31 December 2013: HK$4,062 million), the inventory turnover days had slightly increased to approximately 98 days for the Period (31 December 2013: 96 days).

The current ratio as at 30 June 2014 increased to approximately 1.37 (31 December 2013: 1.10) and the quick ratio increased to approximately 0.74 (31 December 2013: 0.63), due to the reallocation of short term borrowings amounted to HK$359 million to long term ones. Gearing ratio in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 48.0% (31 December 2013: 51.8%). The decrease in gearing ratio was due to the reduction in bank borrowings of approximately HK$290 million during the Period.

IMPORTANT TRANSACTION

Reference is made to the announcements of the Company dated 7 January 2014 and 31 March 2014. In response to the call of the local government to industrial companies to move their factories away from the central districts of Changchun which has been developed rapidly, the Group has accepted the resumption proposal and entered into compensation agreements (the "Compensation Agreements") with Changchun Land Reserve Centre（長春市土地儲備中心）on 30 December 2013 and 31 December 2013.

As part of the relocation plan of the Group's production facilities in Changchun, the Group would start gradually relocating its production facilities to the Xinglongshan Site in 2014. On the other hand, in light of the current market sentiment of the upstream corn refinery, the Group has halted its production of upstream products in Changchun since 31 March 2014. During this Period, to meet the production requirement of the Group's downstream products in Changchun, the Group would source corn starch externally from either independent third parties or the GBT Group. The Group would also optimise the utilisation of the downstream sweeteners operations at its current production site in Changchun and maintain its flexibility to continue to serve local customers according to market needs.

The Board considers that the relocation of production facilities to the Xinglongshan Site provides a good opportunity for the Group to re-adjust its product mix to focus on high value-added products in order to adapt to the changing market needs. At the same time, by upgrading the current production facilities during the relocation process, the Group could further enhance operation efficiency and cost competitiveness. Commercial production of its downstream production facilities at the Xinglongshan Site is expected to commence by the first half of 2015. Depending on the then market environment, the Group will reassess whether to re-commence the production of these upstream products or continue to source corn starch externally after completion of the relocation of production facilities to the Xinglongshan Site.

Pursuant to the Compensation Agreements, the Group agreed to the resumption of a piece of land with an area of approximately 70,000 square metres located on the west side of Xihuancheng Road, Changchun, the PRC (“GSH Land”) and the building and fixtures erected on the GSH Land. The Changchun Land Reserve Centre shall make a compensation of RMB35,320,000 (approximately to HK$44,150,000) in respect of the GSH Land, and a compensation of RMB86,480,000 (approximately to HK$108,100,000) in relation to the buildings and fixtures erected on the GSH Land.

As disclosed in the 2013 annual report of the Company issued on 11 April 2014, goodwill of HK$149,950,000 related to Changchun Dihao Foodstuff Development Co., Ltd. (“Changchun Dihao”) has been allocated to the group of assets which were identified by the management to be retained in Lu Yuan District, Changchun pending for the disposal of certain assets to the local government pursuant to a relocation plan (“Relevant Assets”). The value of the goodwill has been assessed by comparing the amount of relocation compensation with the carrying amount of the Relevant Assets.

During the Period, the Group received part of the resumption compensation amounting to RMB86,480,000 (approximately HK$108,100,000) and the Group recognised a gain on asset compensation of HK$102,669,000 based on the carrying value of associated assets held for sale of HK$5,431,000. Accordingly, there is a corresponding decrease in the recoverable amount of the Relevant Assets together with the goodwill after the above compensation was received and the carrying value of the associated assets amounting to HK$5,431,000 was derecognised. Accordingly, impairment loss of goodwill amounting to HK$102,472,000 was recognised in other expenses during the Period.

As at the date of this report, the remaining part of the Group’s production site in Changchun with an aggregate area of approximately 257,290 square metres and the production facilities erected thereon are pending for resumption and relocation. On 21 August 2014, Changchun Land Reserve Centre and the Group entered into mutual framework agreements by which the parties have reached a preliminary understanding on the intention of the resumption. It was agreed that the compensation shall be determined by the Changchun Land Reserve Centre and the Land Acquisition Reserve Transaction Fund Verification Centre（長春市土地儲備交易資金審核中心）, with reference to the valuation performed by a valuer to be appointed by Changchun Land Reserve Centre. It is expected that formal land resumption compensation agreements will be entered into after Changchun Land Reserve Centre and the Group agree on the final terms and conditions. For the reference of the Company’s management, the Company has engaged an independent valuer to perform a valuation of the subject land, buildings, machineries and fixtures erected thereon. The valuation amounted to RMB665 million in aggregate as of 31 July 2014. The Company will make an announcement and comply with the relevant requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) once the formal agreement(s) shall have been finalized or signed, as and when necessary.

FOREIGN EXCHANGE EXPOSURE

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group’s business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

FUTURE PLANS AND PROSPECTS

It is the Group's mission to become one of the leading corn sweeteners manufacturers in Asia and a major player in the global market. To achieve this objective, the Group will strive to enlarge its market share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

The Group will adopt a prudent approach in face of the current challenging operating environment. In the short run, the Group will take opportunity of the relocation of its production facilities to the Xinglongshan Site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities. In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2014, the Group has approximately 1,360 full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and has therefore placed great emphasis on the recruitment of qualified and experienced personnel to enhance the Group's production capability and product innovation. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis, which is in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend in respect of the Period (Six months ended 30 June 2013: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the interests and short positions in the shares ("Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) of the directors and chief executive of the Company as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Name of Director	The company/name of associated corporation	Capacity/ nature of interest	Number and class of securities held *(Note 1)*	Percentage of the relevant class of issued share capital of the Company/ associated corporation
Kong Zhanpeng	The Company	Interest of a controlled corporation	1,984,000 Shares (L) *(Note 2)*	0.13
	The Company	Beneficial owner	6,000,000 Shares (L) *(Note 3)*	0.39
	Global Bio-chem Technology Group Company Limited ("GBT")	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.56
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) *(Note 4)*	7.41
Lee Chi Yung	The Company	Beneficial owner	4,000,000 Shares (L) *(Note 5)*	0.26
Nie Zhiguo	The Company	Beneficial owner	16,000 Shares (L)	0.001
	GBT	Beneficial owner	12,400 ordinary shares of HK$0.10 each (L)	0.0004
Chan Yuk Tong	The Company	Beneficial owner	2,000,000 Shares (L) *(Note 6)*	0.13
Ho Lic Ki	The Company	Beneficial owner	2,000,000 Shares (L) *(Note 7)*	0.13

Notes:

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

2. These Shares are held by Hartington Profits Limited.

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

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

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

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

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

Saved as disclosed above, as at 30 June 2014, none of the Directors and the chief executive of the Company has any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, so far as is known to the Directors, the following persons (other than a Director or chief executive) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

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

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

Saved as disclosed above, as at 30 June 2014, no person, other than the Directors and chief executive of the Company has interest or short position in the shares or underlying shares of the Company as recorded in the register that was required to be kept by the Company pursuant to section 336 of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

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

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2014.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 20 May 2014, Mr. Zhang Fazheng ceased to be an executive Director and chief executive officer ("CEO") of the Group upon his retirement by rotation from the Board at the annual general meeting held on even date, due to the reaching of his retirement age. Mr. Kong Zhanpeng, the chairman of the Company and an executive Director, has been appointed as the CEO of the Group. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring effective and efficient decision making and management control.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the Period.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises all three independent non-executive Directors. As at the date of this report, the chairman of the Audit Committee is Mr. Chan Yuk Tong, and the other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Lo Kwing Yu. On 3 March 2014, Mr. Gao Yunchun ceased to be a member of the Audit Committee and Mr. Lo Kwing Yu was appointed as a member of the Audit Committee.

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

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

The Audit Committee held three meetings during the Period.

NOMINATION COMMITTEE

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

During the Period, the Nomination Committee held a meeting to recommend the appointment of Directors and CEO to the Board.

REMUNERATION COMMITTEE

The members of the remuneration committee ("Remuneration Committee") include an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, Mr. Ho Lic Ki and Mr. Lo Kwing Yu. Mr. Ho Lic Ki is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on remuneration packages of individual executive Directors and senior management, as well as on the Group's policy and structure for the remuneration of Directors and senior management. The Remuneration Committee also assesses performance of executive Directors and approve the terms of executive Directors' service contracts. On 3 March 2014, Mr. Gao Yunchun ceased to be a member of the Remuneration Committee and Mr. Lo Kwing Yu was appointed as a member of the Remuneration Committee.

During the Period, the Remuneration Committee held three meetings to review and recommend to the Board remuneration packages of the Directors.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference, relevant requirements under the CG Code, or other laws, regulations, rules and codes. The Corporate Governance Committee comprises of an executive Director, Mr. Lee Chi Yung, and two independent non-executive Directors, Mr. Chan Yuk Tong and Mr. Ho Lic Ki. The chairman of the Corporate Governance Committee is Mr. Chan Yuk Tong.

The Corporate Governance Committee reviewed the Company's policies and practices on corporate governance, and considered that the Company has complied with all code provisions in the CG Code during the six months ended 30 June 2014.

The Corporate Governance Committee held a meeting during the Period.

DISCLOSURE OF ADDITIONAL INFORMATION

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The continuing connected transactions executive committee ("CCT Executive Committee") is responsible for monitoring, reviewing and managing the continuing connected transactions (the "CCT") between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare the continuing connected transactions reports and submitting the same to the CCT Supervisory Committee (as defined below) on regular basis. On 3 March 2014, Ms. Wang Guifeng and Mr. Nie Zhiguo were appointed as members of the CCT Executive Committee. On 20 May 2014, Mr. Zhang Fazheng ceased to be a member of the CCT Executive Committee due to his resignation as an executive Director. As at the date of this report, the members of the CCT Executive Committee comprise of Mr. Lee Chi Yung, Ms. Wang Guifeng and Mr. Nie Zhiguo, all being executive Directors. During the Period, the CCT Executive Committee held six meetings.

CCT SUPERVISORY COMMITTEE

The CCT supervisory committee ("CCT Supervisory Committee") comprises all independent non-executive Directors, and was established by the Board to supervise the CCT Executive Committee. On 3 March 2014, Mr. Gao Yunchun ceased to be a member of the CCT Supervisory Committee and Mr. Lo Kwing Yu was appointed as a member of the CCT Supervisory Committee. The main responsibilities of the CCT Supervisory Committee, among others, are:

(1) to devise and revise detailed rules and guidelines ("Prescribed Guidelines") from time to time for the CCT Executive Committee to follow in order to ensure that CCT with the GBT Group will be entered into in accordance with the respective agreements ("Master Agreements") entered into between the Group and the GBT Group, on normal commercial terms and on terms that are fair and reasonable and in the interests of the shareholders as a whole;

(2) to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to purchase of corn starch from the GBT Group by the Group and the sale of corn sweeteners, corn starch and by-products (such as corn oil and corn steep liquor) ("By-products") by the Group to the GBT Group ("Proposed Sale and Purchase") as to whether they have been proceeded with in accordance with the Prescribed Guidelines (the "CCT Quarterly Reports");

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

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

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

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

(1) the Group shall not purchase corn starch from the GBT Group, or sell corn starch, By-products and corn sweeteners to the GBT Group, or obtain the relevant utility services or Sales Agency Services from the GBT Group, unless the GBT Group shall agree that the purchase/selling prices, fees payable and other commercial terms for these transactions shall be determined in the manner as prescribed under the Prescribed Guidelines.

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

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

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

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

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

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

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

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

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

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

   (i) if the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by the Group to at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) independent customer for sales of corn starch and By-products of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (4) above;

   (ii) if the Group has not sold corn starch and By-products of comparable specifications and quantities to at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) independent customer for the Relevant Month, the CCT Executive Committee shall obtain the average unit selling price and other major commercial terms offered by independent suppliers to the Group for purchase of corn starch and By-products of comparable specifications and quantities for the Relevant Month up to the price determination date as referred to in paragraph (4) above; and

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

(5) the CCT Executive Committee shall submit to the CCT Supervisory Committee a quarterly report within 15 days from the end of each quarter in relation to the purchase of corn starch from, and the sales of corn sweeteners, corn starch(in powder or slurry form) and By-products to, the GBT Group during the quarter.

(6) in the event of any deviation from the terms of the relevant Master Agreements and/or any non- compliance of the Prescribed Guidelines in respect of any continuing connected transactions entered into by any member of the Group during the Period covered by the quarterly or, in respect of the Sales Agency Services from the GBT Group only, half-yearly report (including but not limited to non-compliance of the pricing basis), the CCT Supervisory Committee may request the Group to take such procedures (including price adjustments) as the CCT Supervisory Committee may consider appropriate to rectify such deviation or non-compliance.

(7) the auditors of the Group will be engaged to review the CCT (other than the sales agency services from the GBT Group) on a quarterly basis, and the Sales Agency Services from the GBT Group on a semi-annual basis, and shall report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.38 of the Listing Rules.

Two meetings were held by the CCT Supervisory Committee to review the CCT Quarterly Reports submitted by the CCT Executive Committee in respect of the Proposed Sale and Purchase, the Utility Services and the Sales Agency Services entered into by the Group with the GBT Group during the Period. Details of findings have been published on 19 May 2014 and 27 August 2014. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase conducted during the Period were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services and the Sales Agency Services rendered during the Period had been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that was required to be brought to the attention of the shareholders of the Company.

SHARE OPTION SCHEME

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

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

Participants	Outstanding as at 1 January 2014	Granted During the Period	Cancelled or Lapsed During the Period	Exercised during the Period	Outstanding as at 30 June 2014	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options HK$ per share	Closing price immediately before the grant date HK$ per share
Kong Zhanpeng	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Lee Chi Yung	4,000,000	–	–	–	4,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Zhang Fazheng*	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Chan Yuk Tong	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Ho Lic Ki	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees	3,400,000	–	(500,000)	–	2,900,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participant	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Total	25,400,000	–	(500,000)	–	24,900,000					

* Retired on 20 May 2014

As at the date of this report, the options granted to subscribe for 24,900,000 Shares remained outstanding, representing approximately 1.66% of the issued share capital of the Company at that date.

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

As recommended by the Remuneration Committee and approved by the Board on 30 May 2014, the director's fee of the three independent non-executive Directors, being Mr. Chan Yuk Tong ("Mr. Chan"), Mr. Ho Lic Ki ("Mr. Ho") and Mr. Lo Kwing Yu, under the appointment letters entered into between the Company and them dated 1 June 2008, 3 September 2007 and 3 March 2014 respectively and the supplemental letters dated 20 December 2013 between the Company and Mr. Chan and Mr. Ho respectively, has been increased to an annual director's fee of HK$420,000 with effect from 1 June 2014.

In addition, Mr. Chan has been appointed as a non-executive director of Golden Shield Holdings (Industrial) Limited (stock code: 2123), a company listed on the Stock Exchange, on 16 June 2014. In addition, Sinopoly Battery Limited (stock code: 729), a company listed on the Stock Exchange and in which Mr. Chan is an independent non-executive director, changed its name to FDG Electric Vehicles Limited, with effect from 13 May 2014.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

INTRODUCTION

We have reviewed the interim financial information of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 42 which comprises the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

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

SCOPE OF REVIEW

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

CONCLUSION

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

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

29 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
CONTINUING OPERATIONS			
REVENUE	4	1,499,302	2,095,321
Cost of sales		(1,466,386)	(1,996,912)
Gross profit		32,916	98,409
Other income and gains	4	113,194	13,955
Selling and distribution expenses		(114,866)	(107,147)
Administrative expenses		(59,534)	(51,004)
Other expenses		(161,541)	(96)
Finance costs	5	(44,557)	(54,060)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(234,388)	(99,943)
Income tax expense	7	(5,787)	(7,345)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(240,175)	(107,288)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation		–	(2,377)
LOSS FOR THE PERIOD		(240,175)	(109,665)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of financial statements of operations outside Hong Kong		(19,431)	21,260
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(259,606)	(88,405)
Loss attributable to:			
Owners of the parent		(240,102)	(109,546)
Non-controlling interests		(73)	(119)
		(240,175)	(109,665)
Total comprehensive loss attributable to:			
Owners of the parent		(259,611)	(88,212)
Non-controlling interests		5	(193)
		(259,606)	(88,405)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
— For loss for the period		HK(15.72) cents	HK(7.17) cents
— For loss from continuing operations		HK(15.72) cents	HK(7.02) cents
Diluted			
— For loss for the period		HK(15.72) cents	HK(7.17) cents
— For loss from continuing operations		HK(15.72) cents	HK(7.02) cents

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,497,986	1,576,123
Prepaid land lease payments		189,447	194,837
Deposits paid for acquisition of property, plant and equipment		7,427	4,774
Goodwill	11	81,066	183,538
Other intangible assets		3,243	3,243
Deferred tax assets		2,213	2,240
Total non-current assets		1,781,382	1,964,755
CURRENT ASSETS			
Inventories	12	794,542	1,068,806
Trade and bills receivables	13	377,819	699,329
Prepayments, deposits and other receivables		129,290	180,323
Due from the immediate holding company	19(c)	21,821	21,709
Due from fellow subsidiaries	19(c)	126,235	91,823
Non-current assets held for sale		—	5,500
Financial asset at fair value through profit or loss		—	22,658
Pledged deposits		15,146	5,703
Cash and cash equivalents		263,495	407,207
Total current assets		1,728,348	2,503,058
CURRENT LIABILITIES			
Trade and bills payables	14	141,975	427,013
Other payables and accruals		230,741	221,588
Interest-bearing bank borrowings	15	709,153	1,320,421
Due to fellow subsidiaries	19(c)	128,916	258,344
Due to the ultimate holding company	19(c)	28,587	30,482
Tax payable		25,998	28,216
Total current liabilities		1,265,370	2,286,064
NET CURRENT ASSETS		462,978	216,994
TOTAL ASSETS LESS CURRENT LIABILITIES		2,244,360	2,181,749
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	15	358,750	37,185
Deferred tax liabilities		108,033	107,381
Total non-current liabilities		466,783	144,566
Net assets		1,777,577	2,037,183
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	152,759	152,759
Reserves		1,631,008	1,890,619
		1,783,767	2,043,378
Non-controlling interests		(6,190)	(6,195)
Total equity		1,777,577	2,037,183

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium account HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2013 and 1 January 2014	152,759	1,074,879	51,989	126,481	321,523	14,986	300,761	2,043,378	(6,195)	2,037,183
Loss for the period	–	–	–	–	–	–	(240,102)	(240,102)	(73)	(240,175)
Other comprehensive income for the period: Exchange realignment	–	–	–	–	(19,509)	–	–	(19,509)	78	(19,431)
Total comprehensive loss for the period	–	–	–	–	(19,509)	–	(240,102)	(259,611)	5	(259,606)
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	–	(295)	295	–	–	–
At 30 June 2014 (Unaudited)	152,759	1,074,879*	51,989*	126,481*	302,014*	14,691*	60,954*	1,783,767	(6,190)	1,777,577

* These reserve accounts comprise the consolidated reserves of the Group of HK$1,631,008,000 (unaudited) (31 December 2013: HK$1,890,619,000) in the condensed consolidated statement of financial position.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(234,388)**	(99,943)
From a discontinued operation		**—**	(2,377)
Adjustments for:			
Finance costs	5	**44,557**	54,060
Bank interest income	4	**(1,567)**	(1,210)
Depreciation	6	**71,435**	72,801
Loss on disposal of property, plant and equipment	6	**4,134**	69
Amortisation of prepaid land lease payments	6	**3,585**	3,803
Gain on asset compensation	4	**(102,669)**	—
Impairment of goodwill	6	**102,472**	—
Impairment of trade receivables	6	**13,371**	6
Reversal of impairment of trade receivables	6	**(5)**	(449)
Reversal of impairment of other receivables	6	**(10,778)**	—
Write-down/(reversal) of inventories to net realisable value	6	**(38,847)**	6,588
Operating profit/(loss) before working capital changes		**(148,700)**	33,348
Decrease/(increase) in inventories		**304,125**	(396,857)
Decrease in trade and bills receivables		**188,737**	31,621
Decrease/(increase) in prepayments, deposits and other receivables		**59,622**	(171,051)
Increase/(decrease) in trade and bills payables		**(118,558)**	494,616
Increase in other payables and accruals		**11,337**	32,067
Cash generated from operations		**296,563**	23,744
Interest received	4	**1,567**	1,210
Overseas taxes paid		**(6,527)**	(5,050)
Net cash flows from operating activities		**291,603**	19,904
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(20,504)**	(42,974)
Proceeds from disposal of items of property, plant and equipment		**1,321**	617
Proceeds from compensation on asset compensation		**108,100**	1,339
Proceeds from the structured deposit		**22,658**	—
Net cash flows from/(used in) investing activities		**111,575**	(41,018)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 HK$'000	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		818,750	547,500
Repayment of bank borrowings		(1,092,234)	(672,199)
Interest paid	5	(44,557)	(54,060)
Increase in an amount due from the immediate holding company		(112)	(108)
Repayment of amounts with fellow subsidiaries		(213,133)	(7,234)
Increase/(decrease) in an amount due to the ultimate holding company		(1,895)	1,848
Increase in amounts due to fellow subsidiaries		823	172,860
Net cash flows used in financing activities		(532,358)	(11,393)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(129,180)	(32,507)
Cash and cash equivalents at beginning of period		412,910	557,551
Effect of foreign exchange rate changes, net		(5,089)	5,033
CASH AND CASH EQUIVALENTS AT END OF PERIOD		278,641	530,077
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		221,977	417,293
Non-pledged time deposits with original maturity of less than three months when acquired		41,518	52,784
Cash and cash equivalents as stated in the condensed consolidated statement of financial position		263,495	470,077
Time deposits with original maturity of less than three months when acquired, pledged as security for bank loans and issuance of bills payable		15,146	60,000
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		278,641	530,077

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") for the six months ended 30 June 2014 are authorised for issue in accordance with a resolution of the directors (the "Directors") passed on 29 August 2014.

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower II, No.18 Harcourt Road, Hong Kong. The Group was principally engaged in the manufacture and sale of corn refined products and corn-based sweetener products. There were no changes in the nature of the Group's principal activities during the Period.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013. The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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

Significant accounting policies *(continued)*

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

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

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

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

3. SEGMENT INFORMATION

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

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

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

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

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

3. SEGMENT INFORMATION *(continued)*

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

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

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

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

(a) Business units information

	Corn refined products		Corn based sweetener products Six months ended 30 June		Total	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Segment revenue:						
Sales to external customers	743,470	977,669	755,832	1,117,652	1,499,302	2,095,321
Intersegment sales	288,526	266,066	–	–	288,526	266,066
	1,031,996	1,243,735	755,832	1,117,652	1,787,828	2,361,387
Reconciliation:						
Elimination of intersegment sales					(288,526)	(266,066)
Revenue from continuing operations					1,499,302	2,095,321
Segment results	(169,138)	(59,430)	(24,170)	5,321	(193,308)	(54,109)
Reconciliation:						
Bank interest income					1,567	1,210
Unallocated gains					111,627	12,745
Corporate and other unallocated expenses					(109,717)	(5,729)
Finance costs					(44,557)	(54,060)
Loss before tax from continuing operations					(234,388)	(99,943)

3. SEGMENT INFORMATION *(continued)*

(a) Business units information *(continued)*

	Corn refined products		Corn based sweetener products		Total	
	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Segment assets	1,709,015	1,995,541	1,410,180	1,839,707	3,119,195	3,835,248
Reconciliation:						
Elimination of intersegment receivables					(29,637)	(91,290)
Cash and cash equivalents and pledged deposits					278,641	412,910
Corporate and other unallocated assets					141,531	304,614
Assets related to a discontinued operation					–	6,331
Total assets					3,509,730	4,467,813
Segment liabilities	214,029	504,345	286,510	293,202	500,539	797,547
Reconciliation:						
Elimination of intersegment payables					(29,637)	(91,290)
Interest-bearing bank borrowings					1,067,903	1,357,606
Corporate and unallocated liabilities					193,348	365,578
Liabilities related to a discontinued operation					–	1,189
Total liabilities					1,732,153	2,430,630

(b) Geographical information

	Mainland China		Regions other than Mainland China Six months ended 30 June		Consolidated	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Segment revenue:						
Sales to external customers	1,413,344	1,960,903	85,958	134,418	1,499,302	2,095,321

4. REVENUE, OTHER INCOME AND GAINS

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

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

		Six months ended 30 June	
	Note	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Other income and gains			
Gain on asset compensation	6	102,669	—
Sales of scrap and raw materials		6,337	8,842
Bank interest income		1,567	1,210
Government grants*		753	1,742
Exchange gains		—	250
Others		1,868	1,911
		113,194	13,955

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

5. FINANCE COSTS

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

	Six months ended 30 June	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Interest on bank loans:		
Wholly repayable within five years	40,991	56,210
Finance costs for discounted bills receivable	4,121	—
Less: interest capitalised	(555)	(2,150)
	44,557	54,060

6. LOSS BEFORE TAX

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

		Six months ended 30 June	
	Notes	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Raw materials and consumables used		1,209,246	1,622,352
Depreciation	10	71,435	72,684
Amortisation of prepaid land lease payments		3,585	3,662
Employee benefit expense		41,943	39,427
Foreign exchange differences, net		849	(250)
Write-down/(reversal) of inventories to net realisable value#		(38,847)	12,466
Gain on asset compensation##	4	(102,669)	—
Impairment of goodwill##	11	102,472	—
Impairment of trade receivables	13	13,371	6
Reversal of impairment of trade receivables	13	(5)	(449)
Reversal of impairment of other receivables		(10,778)	—
Loss on disposal of property, plant and equipment		4,134	69

\# Included in "Cost of sales" in the condensed consolidated statement of profit or loss.

\## Pursuant to the Company's announcement dated 7 January 2014, the Group commenced a plan to relocate its production facilities located on the land in the Lu Yuan District, Changchun, the PRC (the "Lu Yuan District") in response to the request of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly. The Group has entered into compensation agreements (the "Compensation Agreements") with Changchun Land Reserve Centre（長春市土地儲備中心）on 30 December 2013 and 31 December 2013.

Certain assets are retained on the land in the Lu Yuan District and will not be relocated to the new production site. Goodwill of HK$149,950,000 is allocated to the land and these assets (collectively, the "Relevant Assets") to be retained in the Lu Yuan District pending for disposal to the local government.

The recoverable amount of the Relevant Assets together with the goodwill is determined based on (i) the management's estimated fair value of the resumption compensation to be received from the local government less (ii) the cost of disposal of the items of the Relevant Assets.

During the Period, the Group received part of the resumption compensation amounting to RMB86,480,000 (approximately HK$108,100,000) and the Group recognised a gain on assets compensation of HK$102,669,000 based on the carrying value of certain items of the Relevant Assets held for sale of HK$5,431,000. Accordingly, there is a corresponding decrease in the recoverable amount of the Relevant Assets together with the goodwill after the above compensation was received and the carrying value of certain items of the Relevant Assets amounting to HK$5,431,000 was derecognised. Accordingly, impairment loss of goodwill amounting to HK$102,472,000 was recognised in other expenses during the Period.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Current — Hong Kong	—	—
Current — Mainland China	4,321	4,790
Deferred	1,466	2,555
Tax charge for the period	5,787	7,345

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

The statutory tax rate for all subsidiaries in Mainland China was 25% for the six months ended 30 June 2014 (2013: 25%).

The Group had accumulated tax losses arising in Hong Kong of approximately HK$51,209,000 (31 December 2013: HK$43,781,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had accumulated tax losses arising in five PRC subsidiaries of approximately HK$658,142,000 (31 December 2013: HK$424,333,000) that were available for offsetting against future taxable profits of the companies in which the losses arose and these tax losses would expire from the year ending 31 December 2017 to the year ending 31 December 2019. In the opinion of the Directors, deferred tax assets have not been recognised as these tax losses are only available to offset against future taxable profits of the individual companies in which the losses arose and may not be used to offset taxable profits elsewhere in the Group and the Directors consider that it is uncertain whether future taxable profits would arise to offset against these losses for these companies.

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

The calculation of the basic loss per share for the period ended 30 June 2014 is based on the consolidated loss for the Period attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 (six months ended 30 June 2013: 1,527,586,000). The consolidated loss for the Period and the loss attributable to continuing operations amounted to approximately HK$240,102,000 (six months ended 30 June 2013: HK$109,546,000) and HK$240,175,000 (six months ended 30 June 2013: HK$107,288,000), respectively.

No adjustment has been made to the basic loss per share amounts for the periods ended 30 June 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
At 1 January 2014/1 January 2013		1,576,123	1,612,495
Additions		17,851	97,493
Deficit on revaluation		—	(14,714)
Disposals		(5,455)	(5,627)
Classified as non-current assets held for sale		—	(5,500)
Depreciation	6	(71,435)	(147,245)
Exchange realignment		(19,098)	39,221
At 30 June 2014/31 December 2013		1,497,986	1,576,123

Included in the Group's property, plant and equipment as at 30 June 2014, were items of HK$624,036,000 (31 December 2013: HK$637,073,000) which are identified by management to be recovered through sale pursuant to the relocation plan as imposed by the local government. These assets are located at the Lu Yuan District in Changchun, the PRC. In accordance with the current plan, management will not relocate these assets to the new production site. These assets are either operating under a less than normal capacity or idle at the reporting date due to the preparation of the relocation. Management has performed impairment assessment on these assets by comparing to their recoverable amounts. No impairment has been noted.

11. GOODWILL

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
At 1 January 2014/1 January 2013	183,538	183,538
Impairment during the period	(102,472)	—
At 30 June 2014/31 December 2013	81,066	183,538

The impairment loss of HK$102,472,000 was recognised for the goodwill associated with the assets to be retained in the Lu Yuan District pending for disposal to the local government pursuant to a relocation plan.

11. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations or acquisition of a non-controlling shareholder has been allocated to the following cash-generating units for impairment testing:

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Jinzhou Yuancheng Bio-chem Technology Co., Ltd.	33,588	33,588
Assets to be retained in the Lu Yuan District, PRC	47,478	149,950
	81,066	183,538

Pursuant to the Company's announcement dated 7 January 2014, the Group committed to commence a plan to relocate its production facilities located in Lu Yuan District in response to the request of the local government. Land together with the buildings, machineries and fixtures erected on these pieces of land located in Lu Yuan District (the "Relevant Assets") will be resumed by the relevant government body, being the Changchun Land Reserve Centre. Goodwill of HK$149,950,000 is allocated to the Relevant Assets to be retained in the Lu Yuan District pending for disposal to the local government.

The recoverable amount of the Relevant Assets together with the goodwill is determined based on (i) the management estimated fair value of the resumption compensation to be received from the local government less (ii) the cost of disposal of the items of the Relevant Assets.

The relocation and compensation will be achieved in stages. For the first stage relocation, the Group has entered into compensation agreements with the Changchun Land Reserve Centre on 30 December 2013 and 31 December 2013 whereby compensation in cash will be settled as follows, i) RMB35,320,000 (approximately to HK$44,150,000) upon the resumption of a parcel of land; and ii) RMB86,480,000 (approximately to HK$108,100,000) upon the disposal of the related buildings and fixtures erected on that land. For the second stage relocation, subsequent to the reporting period, on 21 August 2014, mutual framework agreements have been reached by the Group and the Changchun Land Reserve Centre whereby both parties have reached a preliminary understanding on the intention of the resumption of the remaining of the Relevant Assets. It was the parties' understanding that the compensation shall be determined based on the valuation of the Relevant Assets to be performed by a valuer to be appointed by the Changchun Land Reserve Centre. It is expected that formal compensation agreements will be entered into after the agreement of the final terms and conditions agreed between the parties. For the purpose of this report, the Group has engaged an independent valuer to perform a valuation of the subject land, buildings, machineries and fixtures, of which the valuation amounted to RMB665 million in aggregate as of 31 July 2014. The valuation is determined based on depreciated replacement cost approach.

During the Period, the Group received first stage compensation in relation to the buildings and fixtures amounting to RMB86,480,000 (approximately to HK$108,100,000) and the Group recognised a gain on asset compensation of HK$102,669,000 based on the carrying value of certain items of the Relevant Assets held for sale of HK$5,431,000. There was a corresponding decrease in the recoverable amount of the Relevant Assets together with the goodwill after the above compensation was received and the carrying value of certain items of the Relevant Assets amounting to HK$5,431,000 was derecognised. Accordingly, impairment loss of goodwill amounting to HK$102,472,000 was recognised during the Period.

12. INVENTORIES

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Raw materials	641,201	898,725
Finished goods	153,341	170,081
Total	794,542	1,068,806

As at 30 June 2014, certain inventories were written down to net realisable value which amounted to approximately HK$33,959,000 (31 December 2013: HK$507,077,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Trade receivables	389,555	576,307
Bills receivable	79,209	201,583
Impairment	(90,945)	(78,561)
Total	377,819	699,329

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

Trade receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade receivables from three customers located in Mainland China which accounted for 34% of the total trade and bills receivables as at 30 June 2014 (31 December 2013: three customers accounted for 30%).

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 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Within 1 month	207,799	267,017
1 to 2 months	102,055	106,142
2 to 3 months	15,738	30,326
Over 3 months	52,227	295,844
Total	377,819	699,329

13. TRADE AND BILLS RECEIVABLES *(continued)*

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

	Note	2014 (Unaudited) HK$'000	2013 (Audited) HK$'000
At 1 January 2014/1 January 2013		78,561	82,205
Impairment losses recognised	6	13,371	837
Impairment losses reversed	6	(5)	(6,562)
Exchange realignment		(982)	2,081
At 30 June 2014/31 December 2013		90,945	78,561

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables of HK$90,945,000 (31 December 2013: HK$78,561,000) with a carrying amount before provision of HK$104,160,000 (31 December 2013: HK$91,938,000).

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

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Neither past due nor impaired	321,483	513,438
Less than 1 month past due	20,388	21,629
1 to 3 months past due	18,873	38,107
Over 3 months past due	3,860	112,778
Total	364,604	685,952

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.

Included in the Group's trade receivables are amounts due from the Group's fellow subsidiaries of HK$30,686,000 (31 December 2013: HK$126,883,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2014, a subsidiary of the Group has pledged bills receivable of approximately HK$22,150,000 (31 December 2013: HK$105,091,000) to secure bank loans.

14. TRADE AND BILLS PAYABLES

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Trade payables	106,350	421,310
Bills payable	35,625	5,703
Total	141,975	427,013

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

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

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Within 1 month	87,326	174,741
1 to 2 months	9,224	12,863
2 to 3 months	9,575	7,392
Over 3 months	35,850	232,017
Total	141,975	427,013

As at 30 June 2014, the Group's bills payable were secured by time deposits of HK$10,688,000.

Included in the Group's trade and bills payables are amounts due to the Group's fellow subsidiaries of HK$20,604,000 (31 December 2013: HK$218,442,000) which are repayable on similar credit terms to those offered by the fellow subsidiaries to their major customers.

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2014 (Unaudited)			31 December 2013 (Audited)		
Group	Effective interest rate %	Maturity	HK$'000	Effective interest rate %	Maturity	HK$'000
Current						
Bank loans — unsecured	3.73-7.32	2014/2015	624,153	3.73-7.32/ HIBOR	On demand/ 2014	1,225,649
Bank loans — secured	6.9	2015	25,000	6.16	2014	94,772
Bank loans repayable on demand — unsecured	HIBOR+3.3	On demand	60,000	—	—	—
Non-current						
Bank loans — unsecured	6.15	2016	358,750	6.65-7.32	2015	37,185
			1,067,903			1,357,606

15. INTEREST-BEARING BANK BORROWINGS *(continued)*

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	709,153	1,320,421
In the second year	358,750	37,185
In the third to fifth years	—	—
	1,067,903	1,357,606

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

At 30 June 2014, certain of the Group's bank borrowings were secured by the pledge of certain of the Group's bills receivable amounting to HK$22,150,000 (31 December 2013: HK$105,091,000) and time deposits amounting to HK$4,458,000 (31 December 2013: Nil).

16. SHARE CAPITAL

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

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Authorised:		
100,000,000,000 (31 December 2013: 100,000,000,000) ordinary shares of HK$0.10 each	10,000,000	10,000,000
Issued and fully paid:		
1,527,586,000 (31 December 2013: 1,527,586,000) ordinary shares of HK$0.10 each	152,759	152,759

17. CONTINGENT LIABILITIES

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

18. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Contracted, but not provided for:		
Leasehold buildings	27,153	30,294
Plant and machinery	9,686	11,453
	36,839	41,747

19. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

	Notes	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Purchases from fellow subsidiaries			
— corn starch	(i)	74,636	—
Sales to fellow subsidiaries			
— corn sweeteners	(ii)	496	275,063
— corn starch and By-products	(ii)	21,904	57,882
Reimbursement of cost of utilities provided by a fellow subsidiary	(iii)	37,485	100,349
Agency fee charged by a fellow subsidiary	(iv)	3,387	1,888

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

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

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

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

(b) Compensation of key management personnel of the Group

	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Short term employee benefits	3,657	2,790
Post-employment benefits	16	15
Total compensation paid to key management personnel	3,673	2,805

(c) Balances with the related parties

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

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Except as detailed in the following table, the carrying amounts of the Group's financial instruments recorded at amortised cost in these interim condensed consolidated financial statements approximate to their fair values:

	Carrying amounts		Fair values	
	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Financial asset				
Financial asset at fair value through profit or loss	–	22,658	–	22,658

The fair value of financial asset at fair value through profit or loss has been calculated based on quoted market price (Level 1 of the fair value hierarchy).

21. MAJOR NON-CASH TRANSACTIONS

During the Period, the Group entered into a series of arrangements to settle the balances with its fellow subsidiaries. Trade receivables and non-trade amounts due from the fellow subsidiaries of HK$117,011,000 and HK$178,720,000, respectively were settled with the trade payables and non-trade amounts due to the fellow subsidiaries of HK$165,479,000 and HK$130,252,000, respectively.

22. EVENTS AFTER THE REPORTING PERIOD

On 21 August 2014, mutual framework agreements have been reached by the Group and the Changchun Land Reserve Centre whereby the parties have reached a preliminary understanding on the intention of the resumption of land. It is expected that formal land resumption compensation agreements will be entered into between the Group and Changchun Land Reserve Centre after the agreement of the final terms and conditions between the parties. As at 30 June 2014, items of HK$624,036,000 and HK$97,021,000 included in property, plant and equipment and prepaid land lease payments, respectively were identified by management to be retained in the Lu Yuan District pending for resumption by the Changchun Land Reserve Centre. Please refer to note 11 to the interim condensed consolidated financial statements for details.