GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809

INTERIM REPORT 2014

* For identification purpose only

JILIN

Annual Production Capacity:

- Amino Acids — 800,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 200,000 mt
- Corn Refinery — 2.4 million mt

Site Area: Over 2.9 million m^2
Location: Situated within the Golden Corn Belt

LIAONING

Annual Production Capacity:

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

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

HARBIN

Annual Production Capacity:

- Corn Refinery — 600,000 mt

Site Area: Approximately 850,000 m^2
Location: Situated within the Golden Corn Belt

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 340,000 mt

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

HONG KONG

Headquarter

mt: metric tonnes
m^2: metres square
m^3: metres cube

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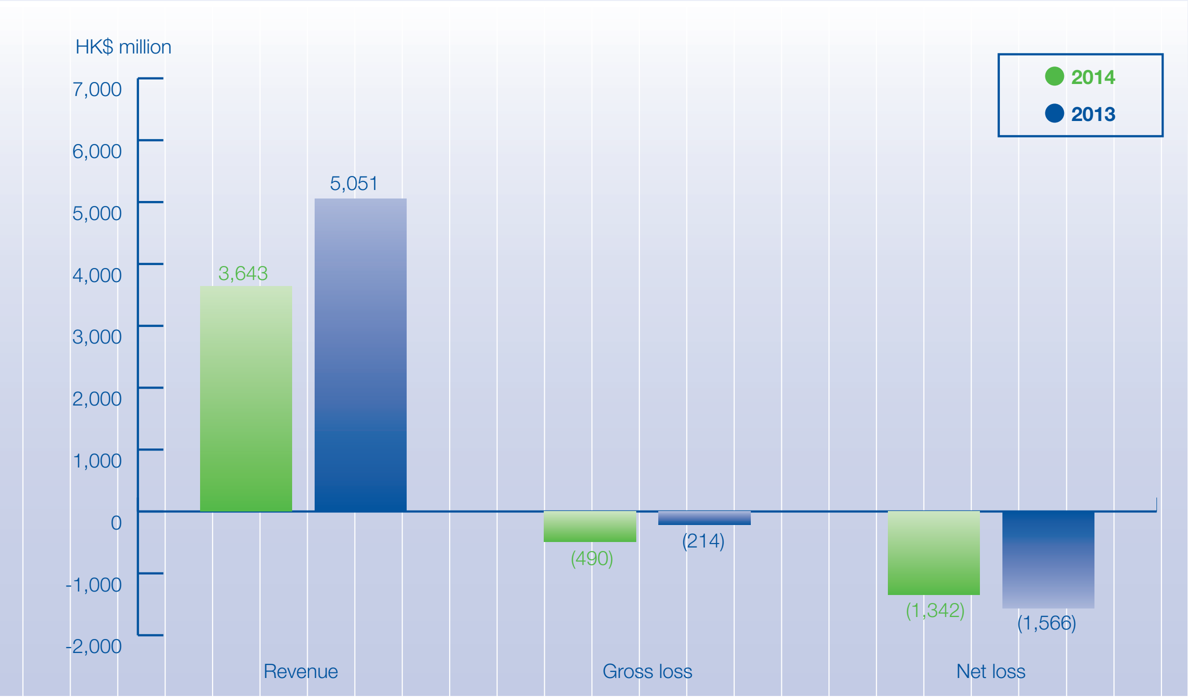
Financial Highlights



	Unaudited six months ended 30 June		
	2014	2013	Change
Operating results (HK$ million)			
Revenue	**3,643**	5,051	(28)%
Gross loss	**(490)**	(214)	(129)%
Net loss attributable to owners of the Company	**(1,342)**	(1,566)	14%
Basic losses per share (HK cents)	**(41.13)**	(47.98)	14%

Corporate Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Cheung Kin Po, CPA Australia, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall,
Cricket Square,
Grand Cayman, KY1-1102,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

During the six months ended 30 June 2014, the global lysine market environment remained unfavorable. Excess capacity continued to suppress product average selling prices ("ASP"). In China, the situation was worsened by non-market driven high corn costs. With pressure from both sides of the equation, the Group has reported a widened net loss year-on-year, with revenue retreated from that of the corresponding period in the previous year.

In China, oversupply of corn-refined products and corn-starch continued to pressurise the Group's upstream operations. The high corn costs and ASP below break-even point had already forced certain inefficient corn refiners to suspend production. For amino acids business, additional capacity released by global and domestic players during last year had intensified market competition, however, some of the major manufacturers had begun reducing their output in light of high inventory level from the second quarter of the year.

In view of the challenges, the Group responded rapidly reducing its inventory under a highly volatile market served to mitigate its exposure to capital shortfall, and improve its cash flow. However, the cut-throat price competition had dragged the Group's amino acid operations to below break-even point, and it had thus suffered a gross loss during the period under review.

The Group commenced the relocation of its production facilities in Lu Yuan District, Changchun in the second quarter of the year. Among these facilities, the Group suspended its lysine production plant since April this year, which helped to save its operating costs, as well as to support lysine ASP due to decline in the market's overall supply. The amino acid production plant will be relocated to Dehui District of Changchun, which is becoming the Group's amino acid production base. The Group's other production facilities had been moved to Xinglongshan. The entire relocation process is expected to be completed in two to three years.

Low market penetration of the Group's polyol chemical products and continued market volatility and deviation had turned into a severe burden on the Group's operations. In order to better utilize its resources, the Group decided to suspend the operation of its polyol chemical production. The decision allows the Group to re-allocate its capital resources to its core activity of amino acid production.

The Group was in a rather passive role in reacting to high corn costs, and had reduced its corn stock to save substantial capital originally required for corn purchase. Efforts had been made to exploit the efficiency of its equipment and manufacturing process to further lower unit operating costs.

Although the Group's operations had been undergoing a difficult period, it continued to enjoy support from its bankers, and had certain of its loans renewed during the period under review. The Group also repaid HK$1.3 billion bank borrowings, and had thus lowered its interest expenses.

Performance of the Group's sweetener activities, which was conducted by Global Sweeteners Holding Limited, an indirect non-wholly owned subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited, suffered from high corn costs and low sugar price and incurred a loss during the period under review.

The Group entered into compensation agreements with the Land Reserve Centre of Changchun Municipal Government at the end of December 2013, regarding the resumption of land of the Group in Changchun. As for the compensation for the buildings, machineries and fixtures erected thereon, the compensation agreement with the Land Reserve Centre for the resumption of the same was approved by the shareholders of the Company at an extraordinary general meeting held on 23 May 2014. The Changchun municipal government has been very supportive in assisting the Group's relocation. Further negotiation is underway with the Land Reserve Centre regarding the resumption of the land located on east side of Xihuancheng Road, Changchun, the PRC. No formal agreement has been entered into between the parties, but the parties have reached a preliminary understanding on the intention of resumption of land.

OUTLOOK

Lysine ASP had slightly recovered in the second quarter of the year. With the phasing out of certain inefficient manufacturers and the Group's suspension of lysine supply during the relocation of its facilities, the ASP for lysine is expected to stabilize in the second half of the year, with a rebound in the fourth quarter with the arrival of the industry's peak season.

The Group's concentration of its lysine production in Dehui District, Changchun will allow flexibility for the Group to swiftly adjust its output volume and to apply latest technology to facilitate expansion of its amino acid product range, and generation of higher value-added products. The Group began to launch a new type of protein lysine during the first half of the year. This new type of protein lysine, with a concentration of 80% lysine content, is designed to replace the Group's traditional lysine product. This higher margin protein lysine has been well-received during market test, and will be launched in a larger scale during the second half of the year.

The Group continues to seek collaboration with leading international players in the biochemical area for application and/or fine-tuning of proven technology in the manufacture of non-petroleum-related chemicals and other bio-chemical products. The production capacity released due to suspension of polyol chemical production since the second quarter of this year, will be utilised for production of new products, which are either self-developed by the Group's research and development team or from joint collaboration.

The PRC's policy of central collection of all corn output through government procurement has made corn price less relevant to the market's supply and demand condition. The State's intervention in corn stock has created a shortage in corn supply; only a handful of major players could secure the supply of corn kernel from the government. Significant downward adjustment in corn price may, on the other hand, lead to flux of output from additional capacity unleashed last year.

The Group will remain vigilant against the challenging market environment, not only because it has become more difficult for manufacturers to predict the market trend, but also because there are signs of mild recovery of the lysine's ASP. It is instrumental for the Group to maintain a prudent approach in managing its capital resources to keep its operation exposure at bay.

Liu Xiaoming
Chairman

29 August 2014

Management Discussion and Analysis

The Group is principally engaged in the manufacture and sale of corn refined products, categorised into three major business segments, namely, the amino acids, polyol chemicals, and corn sweeteners segments. Corn, as the major raw material, is first refined by the wet milling process and then further refined biochemically or chemically to process into a wide range of high value-added downstream products.

BUSINESS ENVIRONMENT

During the first half of 2014, market environment has been fluctuating, and is yet to fully recover from the bottom. Challenges in various intensity are seen across different industries such as property, agricultural, food & beverages, consumers and infrastructure industries, due to shrunken domestic consumption, animal diseases, government interventions, and all sorts of economic aspects. The Group's performance was poorly hit in terms of revenue and margins level, and therefore recorded a wider loss in the first half of 2014.

The raw material for the Group's production, corn, is one of the major agricultural products experiencing drastic impact due to the intervention by the government of the direct procurement of corn from corn farmers during harvest seasons. Without ample supply of corn in the market, a weak supply but strong demand relationship was resulted as compared to other agricultural products in the worldwide market, leaving a flat but high price of corn. Hence, the corn refinery industry is experiencing a tough impact due to expensive raw materials for operation.

The amino acid business of the Group remains challenging although the market sentiment rebounded slightly during the second quarter of the year due to reduction in production by the market players. However, the average selling price of amino acid products remains below the marginal line and the business recorded loss during the period under review. The Group has launched the high value added protein lysine with a concentration of up to 80% lysine content during the period under review, which is in its initial stage of penetrating the market. Further marketing efforts will be dedicated by the Group in developing this area to enhance product portfolio and competitiveness in amino acid business.

The unfavorable market conditions in polyol chemicals industry continues to upset the polyol chemical business of the Group, and the management decided to suspend the operations since second quarter of the year in minimize operating cash outflow in this sector. Yet, close observation on market changes and modification of products portfolio will be the uptake strategies for this business.

FINANCIAL PERFORMANCE

The corn refinery industry has boomed rapidly over the past decade with the demand of corn as raw material for refinery and further processing also growing at an unanticipated pace. The purposively and strategically planned vertical integration of corn refinery and downstream processing has been well implemented in the Group's operation history. Corn starch refined from corn kernels, is used as major feedstock to downstream production, and consequently part of the production processes of various downstream products.

FINANCIAL PERFORMANCE *(Continued)*

The competition of corn refined products was intensified by increasing production capacities established over the years in the industry and increasing cost of corn. Corn refinery, previously referred to as the upstream products segment, is no longer a major business unit for the Group. Therefore, the various business segments have been re-categorized since last year. The three major business segments have been further integrated by considering and consolidating the corn refinery as an initial production process and also part of the production process of value-added downstream products. Each business segment accounts for its major product lines and by-products manufactured during the processes.

Group Financial Performance

(Revenue: HK$3.6 billion (2013: HK$5.1 billion))
(Gross loss: HK$490 million (2013: HK$214 million))
(Net loss: HK$1,342 million (2013: HK$1,566 million))

The decline in financial performance was mainly due to the decline in the average selling prices and demand of the Group's products which in particular, the sale of the Group's lysine products was affected by the heavy market competition and emergence of the new bird flu strain lead to a record low market price of lysine products during the Period. The average cost of corn kernels decreased by approximately 3% to approximately HK$2,422 (2013: HK$2,509) per metric tonne ("MT") compared with the same period last year.

Amino acids segment

(Revenue: HK$2.1 billion (2013: HK$3.1 billion))
(Gross loss: HK$389 million (2013: Gross profit: HK$109 million))

The amino acids segment consists of major product lines such as lysine, protein lysine, threonine and other products, such as modified starch and corn refined products.

During the Period, the revenue of this segment decreased by approximately 33%, which were mainly attributable to the heavy pressure on average selling price, a decrease of demand of the products and reduction of production volume.

The revenue and gross loss of amino acids major products, such as lysine, protein lysine and threonine, amounted to approximately HK$1.3 billion (2013: HK$2.5 billion) and approximately HK$299 million (2013: Gross profit: HK$160 million) respectively, which accounted for approximately 37% (2013: 50%) of the Group's total revenue.

FINANCIAL PERFORMANCE *(Continued)*

Amino acids segment *(Continued)*

Among the major products, lysine products contributed the most to the Group's operations, which are applied as an additive in animal feed. The average selling price of lysine continued a downward trend since the last quarter of 2012 with a significant decrease in the gross profit of approximately 33% during the Period as compared to the same period last year. This downturn cycle is mainly attributable to the additional production capacity launched from the market and adverse impact from the H7N9 bird flu outbreak. The sales volume reported a drop of 22% due to a declining demand from animal feed market.

The modified starch products within the segment recorded revenue of approximately HK$60 million (2013: HK$96 million) and gross profit of approximately HK$2.8 million (2013: Gross loss HK$2 million) due to decreasing production costs and a slight increase in selling price of products.

During the Period, increase in sales volume of corn refined products by approximately 55% resulted in the revenue to increase by approximately 48% as compared to the same period last year, which amounted to approximately HK$698 million (2013: HK$471 million). The gross loss and gross loss margin of the upstream corn refined products were approximately HK$93 million (2013: HK$56 million) and approximately 13% (2013: 12%) respectively.

Polyol chemicals segment

(Revenue: HK$492 million (2013: HK$625 million))
(Gross loss: HK$134 million (2013: HK$422 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, resins, hydrogen, ammonia, and corn refined products.

The corn refinery in polyol chemicals segment has no direct external sales of corn starch, but directly processes glucose as an intermediary for the polyol chemicals segment as well as the amino acids segment. During the Period, the sales volume of the glucose to amino acids segment slightly increased by approximately 4% to approximately 102,000 MT (2013: 98,000 MT) compared with the same period last year. The revenue and gross profit decreased by approximately 7% to approximately HK$224 million (2013: HK$240 million) and by approximately 159% to gross loss of approximately HK$13 million (2013: Gross profit HK$22 million) respectively.

During the Period, in light of reduced utilization of the production facility, the sales volume of the corn refined products decreased by approximately 13% to approximately 34,000 MT (2013: 39,000 MT) as compared with the same period last year. During the Period, the revenue decreased by approximately 14% to approximately HK$84 million (2013: HK$98 million) and the gross loss decreased by approximately 26% to approximately HK$14 million (2013: HK$19 million). The gross loss margin was approximately 16% (2013: 19%).

FINANCIAL PERFORMANCE *(Continued)*

Polyol chemicals segment *(Continued)*

The polyol chemicals products generated revenue of approximately HK$80 million (2013: HK$79 million) and contributed gross loss of approximately HK$53 million (2013: HK$398 million). Such result was driven by consequential decline in market prices of polyol chemicals products due to unfavorable market conditions in the polyol chemicals industry. The market selling price of polyol chemicals products has dropped dramatically since second quarter of 2013, therefore, an additional provision of closing inventories of polyol chemicals of approximately HK$50 million at 30 June 2014 (2013: HK$334 million) was made. As a result, this business recorded a gross loss margin of approximately 67% (2013: 502%) during the Period. In view of the challenging operating conditions of the polyol chemicals business, the production of polyol chemicals has been temporarily suspended since April 2014.

Ammonia is a product launched by the Group since 2013. The revenue and gross loss of ammonia are approximately HK$104 million (2013: HK$208 million) and HK$55 million (2013: HK$27 million) respectively during the Period. Most of the ammonia was supplied to amino acids segment for production use.

Corn sweeteners segment

(Revenue: HK$1,499 million (2013: HK$2,095 million))
(Gross profit: HK$33 million (2013: HK$98 million))

The corn sweeteners segment consists of various liquid and solid sweeteners products and corn refined products, and is mainly operated by Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group"), an indirect non-wholly owned subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The operating environment of corn sweeteners was depressed by the increased raw material costs during the Period. The sales volume dropped by approximately 29% and revenue of corn sweeteners division decreased by approximately 28% as compared with the same period last year. The gross profit from this segment decreased to approximately HK$33 million (2013: HK$98 million), with a gross profit margin of approximately 2% (2013: 5%).

FINANCIAL PERFORMANCE *(Continued)*

Consolidated results by product series

The consolidated revenue of the Group's products sold to external customers decreased substantially by approximately 28% and gross loss increased by approximately 129% respectively during the Period, which were mainly attributable to the drop in average selling prices and market demand. The consolidated figures in sales volume, average selling price, average cost of goods sold, revenue and gross profit/(loss) for the Period and the corresponding period last year as categorized by products are summarised as follows:

For the six months ended 30 June 2014

Product series	Sales volume	Average selling price	Average cost of goods sold	Revenue	Gross profit/ (loss)
	MT	*HK$ per MT*	*HK$ per MT*	*HK$'000*	*HK$'000*
Upstream products	460,027	3,038	3,404	1,397,444	(168,702)
Downstream products					
Amino acids	239,517	5,569	6,752	1,333,902	(283,340)
Modified starch	13,780	4,387	4,173	60,455	2,949
Polyol chemicals	18,366	4,358	9,142	80,039	(87,866)
Ammonia	10,293	3,812	4,325	27,902	(20,578)
Corn sweeteners	213,741	3,477	3,162	743,105	67,215
Total				3,642,847	(490,322)

For the six months ended 30 June 2013

Product series	Sales volume	Average selling price	Average cost of goods sold	Revenue	Gross profit/ (loss)
	MT	*HK$ per MT*	*HK$ per MT*	*HK$'000*	*HK$'000*
Upstream products	478,250	3,084	3,240	1,475,038	(74,475)
Downstream products					
Amino acids	307,430	8,269	7,703	2,542,253	174,061
Modified starch	22,303	4,300	4,381	95,895	(1,812)
Polyol chemicals	10,538	7,527	43,778	79,319	(382,004)
Ammonia	5,279	2,989	4,025	15,781	(5,468)
Corn sweeteners	230,762	3,651	3,324	842,588	75,503
Total				5,050,874	(214,195)

FINANCIAL PERFORMANCE *(Continued)*

Export Sales

During the Period, the Group generated revenue of approximately HK$791 million (2013: HK$1,237 million) from export sales, which accounted for approximately 22% (2013: 24%) of the Group's total revenue, representing a decrease of approximately HK$446 million or approximately 36% as compared to the same period last year. The drop was due to the slowdown of the global market.

Operating expenses, finance costs and income tax expense

In line with the decrease of approximately 9% in total sales volume of the Group, the selling and distribution costs amounted to approximately HK$331 million (2013: HK$360 million), representing a decrease of approximately 8% as compared to the same period last year. However, the ratio of such operating expenses over the Group's revenue surged up to approximately 9% (2013: 7%) as the revenue of the Group decreased by approximately 28% as compared to the same period last year.

The administrative expenses of approximately HK$362 million (2013: HK$264 million), representing an increase of approximately 37%. Nevertheless, the ratio of such administrative expenses to revenue increased to approximately 10% (2013: 5%), due to the temporary suspension of polyol chemicals production since April 2014 in view of unfavourable market conditions, and the fixed overhead production costs of polyol chemicals amounting to approximately HK$38 million (2013: HK$Nil) during the Period was re-allocated to administrative expenses. Moreover, having considered (i) the current operating environment of the Group's lysine business, in particular the market demand and the average selling prices of lysine products and (ii) the preparation for relocation of production facilities, including one lysine production facility in Lu Yuan District, Changchun, operation of the lysine production facilities currently operated by Changchun Baocheng Bio-chem Development Co, Ltd. ("Changchun Baocheng") with annual production capacity of 200,000 MT has been suspended since April 2014, the fixed overhead production costs to Changchun Baocheng of approximately HK$30 million (2013: HK$Nil) was re-allocated to administrative expenses.

The other operating expenses for the Period amounted to approximately HK$250 million (2013: HK$616 million) mainly comprising of legal costs and compensation expenses of approximately HK$18 million (2013: HK$3 million) for the infringement litigations in Europe, the research and development expenses of approximately HK$10 million (2013: HK$9 million) due to the development of new series of lysine products, the provision for doubtful debts of approximately HK$118 million (2013: Provision of doubtful debts written back: HK$64 million) for the long overdue debtors and impairment of goodwill of a Changchun production plant incurred by the GSH Group that amounted to approximately HK$103 million (2013: HK$Nil).

During the Period, the finance costs decreased by approximately 8% to approximately HK$323 million (2013: HK$350 million) as compared to the corresponding period last year. However, it is anticipated that heavy pressure from finance costs will continue for the year 2014.

The total income tax amounting to approximately HK$9 million (2013: HK$121 million) was charged for the Period representing a decrease of approximately 93% as compared to the corresponding period last year.

FINANCIAL PERFORMANCE *(Continued)*

Loss shared by non-controlling shareholders

During the Period, GSH recorded a loss of approximately HK$240 million (2013: HK$110 million) which gave rise to the loss shared by the non-controlling shareholders of GSH of approximately HK$87 million (2013: HK$39 million).

During the Period, Changchun Wanxiang Corn Oil Co., Ltd ("Changchun Wanxiang"), a wholly foreign owned enterprise established in the PRC that is owned as to 51% by the Group, was principally engaged in the manufacture and sales of corn oil. Changchun Wanxiang recorded a loss of HK$4.8 million (2013: HK$1.8 million), which gave rise to the loss shared by the non-controlling shareholders of Changchun Wanxiang of approximately HK$2.3 million (2013: HK$0.9 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2014 decreased by HK$1.3 billion to approximately HK$8.5 billion (31 December 2013: HK$9.8 billion). The net borrowings decreased to approximately HK$7.6 billion (31 December 2013: HK$8.5 billion). Cash and cash equivalents decreased by approximately HK$494 million to approximately HK$816 million (31 December 2013: HK$1,310 million) as compared to the cash level as at 31 December 2013.

Structure of interest bearing borrowings

As at 30 June 2014, the Group's bank and other borrowings amounted to approximately HK$8.5 billion (31 December 2013: HK$9.8 billion), of which approximately 1% (31 December 2013: 1%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 99% were denominated in Renminbi ("RMB"). The average interest rate during the Period was approximately 7.6% (31 December 2013: 6.9%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 61% (31 December 2013: 51%), approximately 35% (31 December 2013: 43%) and approximately 4% (31 December 2013: 6%), respectively. The changes were mainly due to the increase of approximately RMB0.2 billion loan repayable within one year and simultaneously decrease of approximately RMB1.5 billion loans repayable in the second to the fifth years.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms ranging from 30 to 90 days to established customers. During the Period, trade receivables turnover days remained at similar level at approximately 46 days (31 December 2013: 53 days). Meanwhile, the trade creditors turnover days increased to approximately 99 days (31 December 2013: 77 days) because a tightened payment policy has been put in place by the Group during the Period. On the other hand, as certain provisions were made for the inventories and lowered the level of inventories, the inventory turnover days improved to 101 days (31 December 2013: 115 days), simultaneously, the Group's level of inventories was decreased to approximately HK$2.3 billion (31 December 2013: HK$3.3 billion) during the Period.

The decrease of inventories of approximately HK$1.1 billion when compared to the position as at 31 December 2013, the current ratio and the quick ratio worsen to approximately 0.7 (31 December 2013: 1.0) and 0.4 (31 December 2013: 0.6) respectively. Moreover, due to the increase in short term borrowings during the Period, gearing ratio in terms of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 212% (31 December 2013: 164%) and to approximately 268% (31 December 2013: 196%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity worsen to approximately 53% (31 December 2013: 52%) and 235% (31 December 2013: 192%) respectively. In view of the continual support from existing bankers, the Group is of the view that continuous financing resources for its operation could be obtained.

Foreign exchange exposure

Since most of the operations were carried out in the PRC in which transactions were denominated in RMB, the directors of the Company ("Directors") consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the initial purpose of hedging the exchange risk of the Bonds. Under the SWAP, the Group is liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 in return for 7% interest on the principal of RMB450 million semi-annually to 16 May 2014 and exchange the aforesaid US$69,875,776.40 into RMB450 million on 16 May 2014. The SWAP was early settled on 2 April 2014. Besides the SWAP, the Group did not use any material financial instrument for hedging purposes during the Period and the Group did not have any material hedging instrument outstanding as at 30 June 2014.

LITIGATION

As at the latest practicable date prior to the printing of this report, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") are involved in certain litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") against the Relevant Group Members.

Alleged infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710")

Pursuant to the writ served on the Relevant Group Members on 22 October 2013, the Plaintiffs alleged that the Relevant Group Members have infringed EP '710 and requested for preliminary relief proceedings to be held before the District Court in The Hague, the Netherlands (the "District Court").

Pursuant to the writ, it is alleged by the Plaintiffs that a sample seized in the Netherlands in February 2013, which was then analyzed by a research agency engaged by the Plaintiffs, was found by the research agency to infringe EP '710.

On 20 March 2014, a judgment has been served on the Relevant Group Members regarding the above alleged new infringement. It was ruled by the District Court in summary proceedings that the Relevant Group Members have committed infringement of EP '710 and the following orders were made: (i) the penalties for violation of the injunctions contained in the earlier judgment of August 2007 ("Earlier Judgment") concerning EP '710 and EP 0.733.712 (entitled "Process for Producing Substance") ("**EP '712**") shall be increased to EUR1,000 per kilogram of L-lysine that is produced, used, commercialized, or offered for either of those, imported or kept in stock in the Netherlands, or EUR100,000 for each time or every day or part thereof; (ii) the Relevant Group Members shall provide to the counsel of the Plaintiffs within two months after service of the judgment a written specification, accompanied by copies of all relevant written documents, in particular, quotations, purchase and sales invoiced and packaging slips concerning the quantity of infringing L-lysine produced, used, commercialized or sold, supplied or offered or imported for either of those in the Netherlands, the turnover and net profit, as well as a list and details of all third parties involved in the Netherlands, in particular the customers of the infringing L-lysine in the Netherlands at the cost of the Relevant Group Members; (iii) the Relevant Group Members shall allow an independent auditor to examine the written specification set out in (ii) above, and shall grant access to and assist the independent auditor to verify the written specification at the cost of the Relevant Group Members; (iv) the Relevant Group Members shall within 14 days after service of the judgment request all of its buyers of the infringing L-lysine in the Netherlands in writing by using the wordings specified in the judgment to return the infringing L-lysine products within two weeks with an offer to compensate to the buyers the invoice price and transport costs; (v) the Relevant Group Members shall publish a statement on the Company's website with wordings specified in the judgment regarding the infringement within two business days after service of the judgment; (vi) the Relevant Group Members shall send a press release with wordings specified in the judgment to Feedinfo News Services and publish such press release on the website of Feedinfo News Services regarding the infringement within two days after service of the judgment; (vii) the Relevant Group Members shall publish an advertisement with wordings specified in the judgment in the next issue of the Professional Journal for the Grain Processing and Animal Feed Industry entitled "The Miller" regarding the infringement; (viii) the Relevant Group Members shall pay the Plaintiffs a penalty of EUR100,000 per day or part thereof if they fail to fully or properly comply with the orders set out in (i) to (vii) above; and (ix) the Relevant Group Members shall pay for the Plaintiffs' legal costs, which amounted to EUR70,000.

LITIGATION *(Continued)*

Alleged infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710") *(Continued)*

As at the latest practicable date prior to the printing of this report, the Plaintiffs have requested for a total amount of EUR310,000, consisting (i) a penalty of EUR240,000 for violation of the Earlier Judgment, and (ii) EUR70,000 of the cost of proceedings, which have been paid for by the Group to the Plaintiffs. On 12 August 2014, the Plaintiffs have started follow-up proceedings on the merits by serving a writ of summons on the Relevant Group Members. A formal docket session is currently scheduled to take place on 10 December 2014.

Previous judgment concerning EP '710, EP '712 and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

The Dutch Courts have ruled that the Relevant Group Members have committed infringement of EP '710, EP '712 and EP '912, which judgment is final. The Relevant Group Members disputed to the first instance costs of approximately EUR1,000,000 claimed by the Plaintiffs. A decision has been rendered by the Court on 27 August 2014, which the Court awarded the Plaintiffs the said amount of costs. The Directors have been advised by the Group's legal counsel that the judgment is immediately enforceable. During the Period, provision for such costs has been made by the Group.

Alleged infringement of EP 1.664.318 (entitled "L-amino acid-producing micro-organism and method for producing L-amino acid") ("EP '318")

Pursuant to the writs of summons received by the Relevant Group Members on 6 August 2013 from the court bailiff of the Court in The Hague, the Netherlands ("**Court**"), the Plaintiffs alleged that the Relevant Group Members have infringed EP '318 and requested the Court to rule that the Relevant Group Members have committed infringement and to make orders against the Relevant Group Members for, among others things, (i) forbidding the Relevant Group Members to commit infringement, or in any case to be involved in and/or benefit from infringing activities with regard to the Dutch part of the Relevant Patent; (ii) forbidding the Relevant Group Members to be involved in and/or benefit from the commercial trade of L-lysine on the Dutch market for a period of one year; (iii) providing to the counsel of the Plaintiffs an overview of the turnovers and net profits realized with the infringing L-lysine products; (iv) requesting all buyers of the Relevant Group Members with registered offices in the Netherlands to return the infringing L-lysine products; (v) placing a message on the website of the Company regarding the infringement; (vi) surrendering and destroying the stored infringing L-lysine products in the Netherlands; (vii) paying penalty of EUR100,000 per day for non-compliance of any of the above orders; (viii) paying for the cost of the legal proceedings; and (ix) paying either the net profit enjoyed with the infringement and interest accrued thereon as the Plaintiffs may claim, or the net profit enjoyed by the Relevant Group Members or the damage, costs of which to be assessed by the Court.

On 8 January 2014, a response was filed on behalf of the Relevant Group Members disputing the allegations of infringement and by way of counterclaim requesting invalidation of the invoked patent. The Plaintiffs filed a response to the aforementioned counterclaim on 5 March 2014 and an oral hearing took place on 13 June 2014. The judgment is set for 10 September 2014.

For other litigations, the Directors have been advised by the Group's legal counsel that the Group has grounds to defend the claims. Therefore, no provision for other infringement compensation is considered necessary. Save as disclosed above, there was no material contingent liability of the Group as at 30 June 2014.

RESUMPTION OF LAND, BUILDINGS, MACHINERIES AND FIXTURES

Reference is made to the circular of the Company dated 7 May 2014 and the announcements of the Company dated 7 January 2014, 13 January 2014 and 27 August 2014 in relation to the resumption of land and buildings, machineries and fixtures erected thereon in Changchun, the PRC.

In response to the call of the local government to industrial companies to move their factories away from the central districts of the city which have developed rapidly, on 30 December 2013, the Group entered into three compensation agreements with the Changchun Land Reserve Centre（長春市土地儲備中心）(the "Land Reserve Centre") pursuant to which the Group agreed to the resumption of three pieces of land located on the west side of Xihuancheng Road, Changchun, the PRC. On the same date, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group agreed to the resumption of a piece of land located on the west side of Xihuancheng Road, Changchun, the PRC. On 31 December 2013, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group has agreed to the resumption of the buildings and fixtures erected thereon.

As approved by the shareholders of the Company at an extraordinary general meeting held on 23 May 2014, the Group has entered into a compensation agreement with the Land Reserve Centre for the resumption of buildings, machineries and fixtures erected on a piece of land located on the west side of Xihuancheng Road, Changchun, the PRC.

The production facilities of the GBT Group and the GSH Group currently located on both the west and the east side of Xihuancheng Road, Changchun, the PRC have or will be relocated to Xinglongshan, Changchun, the PRC. As at the latest practicable date prior to the printing of this report, part of the production facilities of the GBT Group in Xinglongshan, Changchun, the PRC has already commenced commercial production. It is expected that the GSH Group shall commence construction of the production facilities and installation of new equipment in Xinglongshan in the third quarter of 2014 and commercial production at the new site in Xinglongshan shall commence by the first half of 2015.

As announced by the Company on 27 August 2014, the Group is in the course of negotiation with the Land Reserve Centre on the terms of the resumption of the land located on the east side of Xihuancheng Road, Changchun, the PRC. No formal agreement has been entered into between the parties but the parties have reached a preliminary understanding on the intention of the resumption of land. It is the parties' understanding that the compensation will be determined with reference to the valuation to be performed by a valuer to be appointed by the Land Reserve Centre. Based on a preliminary estimation by the Board, it is expected that the formal agreement(s), once entered into between the parties, may constitute a very substantial disposal transaction of the Company under Chapter 14 of the Listing Rules. 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 ("Listing Rules") once the formal agreement(s) shall have been finalized or signed.

SCALE DOWN OF PRODUCTION VOLUME FOR LYSINE PRODUCTS AND SUSPENSION OF POLYOL CHEMICALS PRODUCTION

Having considered (i) the current operating environment of the Group's lysine business, in particular the market demand and the average selling prices of lysine products and (ii) the preparation for relocation of production facilities, including one lysine production facility in Lu Yuan District, Changchun, the Group has decided to scale down the production volume for lysine products planned for the year ending 31 December 2014. As such, operation of the lysine production facilities currently operated by Changchun Baocheng with annual production capacity of 200,000 MT has been suspended since April 2014. Production volume for lysine products will be adjusted according to market sentiment.

In addition, due to unfavorable market conditions, the production of polyol chemicals at the production plant of the Group has been suspended since April 2014. The production of polyol chemicals accounted for approximately 2.1% of the total revenue of the Group for the year ended 31 December 2013, and had an insignificant contribution to the Group's profit for the above periods. As such, the Directors consider that the suspension of production of polyol chemicals products will not have material adverse impact on the operations and financial position of the Group.

OUTLOOK

In light of uncertain market situations for the Group, the Group will undertake sensible strategies in managing the development plan by taking into account the financial status of the Group and exerting prudent control on the Group's operations. A mild recovery is expected in the amino acid business by the end of the year with the approaching of the peak season. In addition, cautious production plan within market would also improve market sentiment. Again, close observation on market changes or phase of consolidation is needed, and retrieval from the animal feed industry would be expected in near future.

As harvest season of corn is expected in the fourth quarter of this year, supply of fresh corn will be revived and shall be beneficial to animal feed production and corn refinery operation in the market.

Relocation of the production facilities for amino acid segment to Dehui District, Changchun and other production facilities for, among others, the corn sweeteners segment from Lu Yuan District, Changchun to Xinglongshan District, Changchun will be the major development task for the Group during this year and in the upcoming years. As the Changchun municipal government has been very supportive in assisting the Group's relocation of production facilities, further negotiation is underway with the Land Reserve Centre regarding the compensation for the rest of the Group's production plant in the central district of the city. Possible disposal of certain unused assets and land reserve consequential to the resumption shall also enable supplementary cash flow in supporting the objective in reducing gearing for better financial position.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2014, the Group had approximately 5,700 full time employees in Hong Kong and the PRC. The Group recognizes the importance of human resources to its success, and recruited qualified and experienced personnel for increased production capability and development of new biochemical products. Remuneration of employees is maintained at competitive levels with discretionary bonuses payable on a merit basis whilst in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the interests and short positions of the directors and chief executive of the Company in the shares ("Shares") underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange 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:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest				
Name of Director	*Notes*	**Directly beneficially owned**	**Through controlled corporation**	**Interest of spouse**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Liu Xiaoming	*1*	19,090,400	489,048,000	–	508,138,400	15.57
Ms. Xu Ziyi	*2*	5,576,400	–	70,000	5,646,000	0.17

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

		Number of shares held capacity and nature of interest		
Name of Director	*Note*	**Directly beneficially owned**	**Total**	**Approximate percentage of GSH's issued share capital**
Mr. Liu Xiaoming	*3*	6,000,000	6,000,000	0.39

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

Notes:

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

2. Among these interests, 5,576,000 Shares are held by Ms. Xu Ziyi as beneficial owner, and 70,000 Shares are held by the personal representative of the late spouse of Ms. Xu.

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

Save as disclosed above, as at 30 June 2014, none of the directors and chief executive of the Company had any interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section "Directors' interests and short positions in shares and underlying shares" above, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

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

Notes:

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

2. The entire issued capital of Crown Asia Profits Limited is held by the personal representative of the late Mr. Xu Zhouwen, a former executive Director.

3. Among these interests, 18,256,000 Shares are held by Mr. Kong Zhanpeng, and 241,920,000 Shares are owned by Hartington Profits Limited, a company incorporated in the BVI. The entire issued share capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng, an executive director of GSH. Mr. Kong is the sole director of Hartington Profits Limited.

4. Among these interests, 12,449,920 Shares are held by Mr. Wang Tieguang, a former Director, and 241,920,000 Shares are held by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang.

Save as disclosed above, as at 30 June 2014, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

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

Disclosure of Additional Information

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders of the Company and devotes considerable effort in identifying and formalising best practices. The Board regularly reviews the Group's corporate governance guidelines and developments. To the best knowledge and belief of the Board, save as disclosed below, the Board considers that the Company has complied with all code provisions as laid down in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Period.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be performed by different individuals. The Company did not have any officer with the title "chief executive officer" but Mr. Liu Xiaoming is currently taking up the role of chairman and undertaking the function as chief executive officer. The Board believes that vesting the roles of both chairman and chief executive officer 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 Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the Directors.

Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the code of conduct of the Company and the Model Code 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 three independent non-executive Directors namely Mr. Lee Yuen Kwong (the chairman of the committee), Mr. Chan Man Hon, Eric, and Mr. Li Defa.

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

The Group's interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee and its external auditor, Ernst & Young.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The members of the nomination committee of the Company (the "Nomination Committee") comprise of an executive Director, Mr. Liu Xiaoming (the chairman of the committee), and two independent non-executive Directors, namely Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric. 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 recommending 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. Pursuant to the board diversity policy adopted by the Board, when reviewing the composition of the Board and considering the nomination of new Directors, the Nomination Committee will take into account the qualification, ability, working experience, leadership, cultural and educational background, race, gender, age and professional ethics of potential candidates and also business needs of the Company.

With reference to the business needs of the Group, the following measurable objectives have been set for implementing the Board diversity policy: (a) a prescribed proportion of Board members shall be independent non-executive Directors; (b) a prescribed proportion of Board members shall have attained bachelor's degree or above; (c) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications; (d) a prescribed proportion of Board members shall have more than seven years of experience in the industry he is specialized in; and (e) a prescribed proportion of Board members shall have China-related work experience. Based on its review, the Nomination Committee considers that the Company has achieved the measurable objectives set for implementing the Board diversity policy of the Company.

Disclosure of Additional Information

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") comprise of two independent non-executive Directors, namely Mr. Lee Yuen Kwong (the chairman of the committee) and Mr. Chan Man Hon, Eric, and one executive Director, Mr. Liu Xiaoming.

The duties of the Corporate Governance Committee are, among others, to review the Company's policies and practices on corporate governance and provide supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the Corporate Governance Code, or other applicable laws, regulations, rules and codes.

SHARE OPTION SCHEME

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

Eligible participants of the Scheme include the following:

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

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

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

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

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

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

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

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

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

SHARE OPTION SCHEME *(Continued)*

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

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

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

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

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

SHARE OPTION SCHEME *(Continued)*

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

Participants	Number of share options as at 1 January 2014 and as at 30 June 2014	Granted, cancelled or lapsed during the Period	Date of grant of share options	Exercise period of share options	Vesting period of share options	Price of Company's shares: Exercise price of share options *HK$*	Price of Company's shares: Closing price immediately before the grant date *HK$*
Employees	3,100,000	–	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24

As at the latest practicable date prior to the printing of this report, 3,100,000 Shares were available for issue under the Scheme, representing approximately 0.09% of the issued share capital of the Company as at that date.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

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

Eligible participants of the GSH Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Participants	Number of share options as at 1 January 2014	Granted during the Period	Cancelled or lapsed during the Period	Exercised during the Period	Number of share options as at 30 June 2014	Date of grant of share options	Exercise period of share options	Vesting period of share option	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 latest practicable date prior to the printing of this report, 24,900,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 1.66% of the issued share capital of GSH as at that date.

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 64 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 interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

Report on Review of Interim Financial Information

BASIS FOR QUALIFIED CONCLUSION

As explained in note 22 to the interim condensed consolidated financial statements, the Company and certain subsidiaries of the Group were involved in litigations relating to certain infringed patents. A judgment was concluded by the court that the Company and these subsidiaries were in violation of an injunction and a penalty was imposed. We have been unable to obtain sufficient appropriate evidence to determine whether adequate provision has been made for the penalty as at 30 June 2014 in accordance with Hong Kong Accounting Standard 37 Provision, Contingent Liabilities and Contingent Assets issued by the Hong Kong Institute of Certified Accountants ("HKAS 37"). Any adjustment found to be necessary would affect the Group's statement of profit or loss for the period ended 30 June 2014 and the Group's statements of financial position as at that date, and the related disclosures in the financial statements.

QUALIFIED CONCLUSION

Based on our review, except for the possible effects of the matter described in the basis for qualified conclusion paragraph, 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.

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to note 2.1 to the interim condensed consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$1,431 million during the period ended 30 June 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$2,974 million. These conditions, along with other matters as set forth in note 2.1 to the interim condensed consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

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

29 August 2014

Interim 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			
Sales of goods	*4*	**3,642,847**	5,050,874
Cost of sales		**(4,133,169)**	(5,265,069)
Gross loss		**(490,322)**	(214,195)
Other income and gains	*4*	**334,387**	300,863
Selling and distribution costs		**(330,980)**	(360,462)
Administrative expenses		**(361,967)**	(263,624)
Other expenses		**(250,071)**	(616,411)
Finance costs	*5*	**(322,655)**	(350,049)
Share of losses of associates		**—**	(22,647)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(1,421,608)**	(1,526,525)
Income tax expense	*7*	**(9,159)**	(121,246)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(1,430,767)**	(1,647,771)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation		**—**	(2,377)
LOSS FOR THE PERIOD		**(1,430,767)**	(1,650,148)
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		**(65,323)**	149,376
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(1,496,090)**	(1,500,772)

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(1,341,914)**	(1,565,676)
Non-controlling interests		**(88,853)**	(84,472)
		(1,430,767)	(1,650,148)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(1,400,317)**	(1,432,565)
Non-controlling interests		**(95,773)**	(68,207)
		(1,496,090)	(1,500,772)
LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For loss for the period	9	**HK(41.13) cents**	HK(47.98) cents
— For loss from continuing operations		**HK(41.13) cents**	HK(47.94) cents
Diluted			
— For loss for the period	9	**HK(41.13) cents**	HK(47.98) cents
— For loss from continuing operations		**HK(41.13) cents**	HK(47.94) cents

Details of the dividends proposed for the period are disclosed in note 8 to the interim condensed consolidated financial statements.

Interim 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	**9,182,545**	9,527,647
Prepaid land lease payments		**791,650**	812,925
Deposits paid for acquisition of items of property, plant and equipment and prepaid land lease payments		**75,077**	8,904
Goodwill	11	**242,081**	344,553
Intangible assets		**5,162**	5,434
Deferred tax assets		**25,083**	25,153
Total non-current assets		**10,321,598**	10,724,616
CURRENT ASSETS			
Non-current assets held for sale		**—**	759,480
Inventories	12	**2,281,054**	3,341,568
Trade and bills receivables	13	**924,015**	1,419,257
Prepayments, deposits and other receivables		**1,710,398**	952,114
Due from associates	19(b)	**24,798**	31,110
Equity investments at fair value through profit or loss		**35,231**	93,581
Derivative financial instruments		**—**	19,021
Pledged deposits		**15,146**	133,996
Cash and cash equivalents		**815,943**	1,309,997
Total current assets		**5,806,585**	8,060,124
CURRENT LIABILITIES			
Trade and bills payables	14	**2,228,366**	2,225,258
Other payables and accruals		**1,221,972**	1,063,113
Interest-bearing bank loans and other borrowings	15	**5,167,365**	4,954,609
Bonds		**—**	44,483
Tax payable		**162,707**	164,145
Total current liabilities		**8,780,410**	8,451,608
NET CURRENT LIABILITIES		**(2,973,825)**	(391,484)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,347,773**	10,333,132

Interim Condensed Consolidated Statement of Financial Position

30 June 2014

	Notes	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	*15*	**3,303,975**	4,798,173
Deferred tax liabilities		**230,843**	230,304
Deferred income		**214,137**	209,747
Total non-current liabilities		**3,748,955**	5,238,224
Net assets		**3,598,818**	5,094,908
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*16*	**326,349**	326,349
Reserves		**2,525,972**	3,926,289
		2,852,321	4,252,638
Non-controlling interests		**746,497**	842,270
Total equity		**3,598,818**	5,094,908

Interim 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	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014	326,349	2,431,853	16,073	429,877	15,677	349,547	1,873,945	(1,190,683)	4,252,638	842,270	5,094,908
Loss for the period	–	–	–	–	–	–	–	(1,341,914)	(1,341,914)	(88,853)	(1,430,767)
Other comprehensive income for the period:											
Exchange realignment	–	–	–	–	–	–	(58,403)	–	(58,403)	(6,920)	(65,323)
Total comprehensive loss for the period	–	–	–	–	–	–	(58,403)	(1,341,914)	(1,400,317)	(95,773)	(1,496,090)
Transfer of share option reserve upon the forfeiture of share options of a subsidiary	–	–	(295)	–	–	–	–	295	–	–	–
At 30 June 2014 (unaudited)	326,349	2,431,853*	15,778*	429,877*	15,677*	349,547*	1,815,542*	(2,532,302)*	2,852,321	746,497	3,598,818

* These reserve accounts comprise the consolidated reserves of the Group of HK$2,525,972,000 (31 December 2013 (audited): HK$3,926,289,000) in the condensed consolidated statement of financial position as at 30 June 2014.

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Put option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	326,349	2,431,853	20,138	620,906	142,987	346,179	(714,286)	1,606,326	4,889,717	9,670,169	1,568,007	11,238,176
Loss for the period	–	–	–	–	–	–	–	–	(1,565,676)	(1,565,676)	(84,472)	(1,650,148)
Other comprehensive income for the period:												
Exchange realignment	–	–	–	–	–	–	–	133,111	–	133,111	16,265	149,376
Total comprehensive loss for the period	–	–	–	–	–	–	–	133,111	(1,565,676)	(1,432,565)	(68,207)	(1,500,772)
Acquisition of non-controlling interests	–	–	–	–	(127,310)	–	714,286	–	–	586,976	(586,976)	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	3,154	3,154
At 30 June 2013 (unaudited)	326,349	2,431,853	20,138	620,906	15,677	346,179	–	1,739,437	3,324,041	8,824,580	915,978	9,740,558

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
From continuing operations		**(1,421,608)**	(1,526,525)
From a discontinued operation		**—**	(2,377)
Adjustments for:			
Finance costs	5	**322,655**	350,049
Gain on exercise of a put option by non-controlled interests	4	**—**	(187,500)
Bank interest income	4	**(5,665)**	(2,055)
Gain on disposal of prepaid land premium	4	**—**	(54,792)
Loss on disposal of items of property, plant and equipment	6	**4,260**	—
Gain on resumption of buildings, machines and fixtures	4	**(256,863)**	—
Exchange loss on exercise of a put option	6	**—**	35,714
Depreciation	6	**297,605**	402,941
Amortisation of prepaid land premiums	6	**12,322**	11,756
Amortisation of intangible assets	6	**4**	1,505
Amortisation of deferred income		**(4,863)**	(3,323)
Impairment of property, plant and equipment	6	**—**	581,335
Reversal of impairment of other receivables	6	**(10,778)**	—
Provision/(write-back) for impairment of trade receivables	6	**118,313**	(60,577)
Write-down of inventories to net realisable value	6	**141,177**	425,371
Impairment of goodwill	6	**102,472**	—
Share of losses of associates		**—**	22,647
Fair value (gains)/losses, net:			
— Derivative financial instruments	6	**4,800**	(317)
— Equity investments at fair value through profit or loss	4	**(764)**	(738)
— Bonds	6	**327**	(2,331)
— Long term receivables	4	**(8,169)**	(14,027)
		(704,775)	(23,244)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Decrease/(increase) in inventories	**877,567**	(895,174)
Decrease in trade and bills receivables	**367,358**	280,547
Increase in prepayments, deposits and other receivables	**(96,907)**	(13,890)
Increase in trade and bills payables	**30,924**	1,231,506
Increase in other payables and accruals	**115,905**	127,326
Decrease/(increase) in amounts due from associates	**5,923**	(113,449)
Cash generated from operations	**595,995**	593,622
Interest received	**5,665**	2,055
Overseas taxes paid	**(7,936)**	(64,799)
Net cash flows from operating activities	**593,724**	530,878
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(77,341)**	(41,306)
Proceeds from disposal of items of property, plant and equipment	**1,321**	21,858
Proceeds from disposal of non-current assets held for sale	**344,350**	—
Payment of prepaid land lease payments	**—**	(2,223)
Acquisition of subsidiaries	**—**	23,767
Time deposits with original maturity of more than three months when acquired	**(250,000)**	—
Settlement of a financial product	**58,734**	—
Net cash flows from investing activities	**77,064**	2,096
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**3,543,750**	3,606,250
Repayment of bank loans	**(4,704,459)**	(2,265,674)
Interest paid	**(322,655)**	(317,058)
Exercise of a put option by non-controlling interests	**—**	(750,000)
Redemption of bonds	**(44,810)**	—
Settlement of derivative financial instruments	**14,221**	—
Net cash flows generated from/(used in) financing activities	**(1,513,953)**	273,518

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(843,165)**	806,492
Cash and cash equivalents at beginning of period	**1,443,993**	1,266,470
Effect of foreign exchange rate changes, net	**(19,739)**	62,354
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**581,089**	2,135,316
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**815,943**	1,854,317
Non-pledged time deposits with original maturity of less than three months when acquired	**—**	88,696
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**815,943**	1,943,013
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of bills payable	**15,146**	192,303
Non-pledged time deposits with original maturity of more than three months when acquired	**(250,000)**	—
Cash and cash equivalents as stated in the statement of cash flows	**581,089**	2,135,316

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorized for issue in accordance with a resolution of the board of directors of the Company on 29 August 2014.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 1999. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 1104, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products and corn-based biochemical products. There were no significant changes in the nature of the Group's principal activities during the period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The Group recorded a consolidated net loss of HK$1,431 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK$1,650 million) and as at that date, the Group recorded net current liabilities of HK$2,974 million (31 December 2013: HK$391 million). In view of these circumstances, the directors of the Company have taken the following steps to improve the Group's liquidity and solvency position.

(1) Active negotiations with banks to obtain adequate bank borrowings to finance the Group's operations.

The management of the Company has been actively negotiating with the banks in the PRC to secure the renewals of the Group's short term bank loans and long term bank loans when due to meet its liabilities when fall due.

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

2.1 Basis of preparation *(Continued)*

(2) Active negotiations with the local government to confirm the relocation compensation

As announced by the Company on 23 September 2011, the Group commenced a plan to relocate its production facilities located in Lu Yuan District, Changchun, the PRC ("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 relocation has been commenced and will be achieved in stages. Land together with the buildings, machineries and fixtures erected on these pieces of land located in Lu Yuan District will be resumed by the relevant government body, being the Changchun Land Reserve Centre(長春市土地儲備中心). Formal contracts have been signed by the parties on the first stage relocation whereby compensation in cash has been or will be settled as follows: (i) RMB202 million (equivalent to HK$256 million) upon the resumption of the parcels of land; and (ii) RMB806 million (equivalent to HK$1,020 million) upon the disposal of the related buildings and fixtures erected thereon. For the second stage relocation, the Directors have been actively negotiating with the Changchun Land Reserve Centre, to agree on the respective compensation. As at the latest practicable date prior to the printing of this report, mutual framework agreements have been reached by the parties whereby the parties have reached a preliminary understanding on the intention of the resumption of land. It was the parties' understanding that the compensation shall be determined based on the valuation to be performed by a valuer to be appointed by Changchun Land Reserve Centre after verification 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). It is expected that formal land resumption compensation agreements will be entered into between the Group and Changchun Land Reserve Centre after the final terms and conditions shall have been agreed between the parties, and if required under the Listing Rules, to be subject to approval by shareholders of the Company. For the purpose of this report, the Group has engaged two independent valuers to perform valuation of the subject land, buildings, machineries and fixtures erected thereon respectively, which valuation amounted to RMB2.45 billion in aggregate as of 31 July 2014.

For the first stage relocation, the Group has received cash compensation of RMB478 million, and the management expects the remaining compensation of RMB530 million to be received from the government by end of year 2014. For the second stage relocation, the management expects that, subject to and conditional upon the entering into and completion of the formal agreements, the valuation of the subject land, buildings, machineries and fixtures erected thereon to be appraised by the valuer to be appointed by the Changchun Land Reserve Centre and the final determination of the amount of compensation, the compensation may be in the range of RMB2.45 billion (which is solely based on the valuation as of 31 July 2014 as appraised by the valuers appointed by the Group as mentioned above). The Directors, based on the experience of the first stage relocation and the current discussion status with the relevant party, anticipate the first instalment payment of about RMB500 million estimated by the Directors to be made by the government by June 2015 and full payment before the end of 2017. The Directors will use best endeavor to expedite the process with the aim to receiving the compensation or any part thereof as soon as possible.

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

2.1 Basis of preparation *(Continued)*

(3) Improvement of the Group's operating cash flow

The Group is taking measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations. During the six month ended 30 June 2014, the Group has scaled down certain of its amino acids production and suspended the production of polyol chemicals in order to minimizing operating cash outflow.

Based on the management estimation of the future cash flows of the Group, after taking into account (i) the successful renewals of the Group's existing bank borrowings; (ii) the receipt of the compensation from the local government in relation to the resumption of buildings, machineries and fixtures erected on the piece of land; and (iii) the measures of the operating level aiming to minimize the Group's operating cash outflows, the directors are of the opinion that the Group is able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future.

The validity of the going concern assumption on which the interim condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the directors as described above. The interim condensed consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

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

2.2 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*

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 41 Amendments	Amendments to HKAS 16 and HKAS 41 *Bearer Plants*[2]
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

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

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. For the six months ended 30 June 2014, the following reportable operating segments are adopted by the Group to better allocate resources of the Group and assess performance of the different operating segments:

(a) the amino acids segment engages in the manufacture and sale of corn-based biochemical products, including lysine, threonine, and tryptophan;

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

(c) the corn sweeteners segment engages in the manufacture and sale of corn-based biochemical products, including glucose, maltose and dextrin.

All three segments also engage in the manufacture and sale of corn refined products.

The management monitors the operating results of the Group's business units separately for the purpose of making decisions in relation to allocation of the Group and assessment of performance of different operating segments. 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 interest income, finance costs, government grants and corporate expenses are excluded from this measurement.

Segment assets exclude goodwill, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and other unallocated head office and 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.

3. SEGMENT INFORMATION *(Continued)*

(a) Operating segment information

	Amino acids		Polyol chemicals		Corn Sweeteners		Eliminations		Consolidated	
	Six months ended 30 June									
	2014 (Unaudited) *HK$'000*	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000* (Restated)
Revenue:										
External customer	**2,017,849**	3,109,628	**150,730**	181,216	**1,474,268**	1,760,030	**–**	–	**3,642,847**	5,050,874
Intersegment	**74,636**	–	**341,621**	443,600	**25,034**	335,291	**(441,291)**	(778,891)	**–**	–
Total revenue	**2,092,485**	3,109,628	**492,351**	624,816	**1,499,302**	2,095,321	**(441,291)**	(778,891)	**3,642,847**	5,050,874
Segment results	**(638,229)**	(210,260)	**(265,512)**	(1,077,894)	**(190,049)**	(59,780)	**–**	–	**(1,093,790)**	(1,347,934)
Bank interest income									**5,665**	2,055
Gain on exercise of a put option by non-controlled interests									**–**	187,500
Unallocated revenue									**39**	111,308
Unallocated expenses									**(10,867)**	(129,405)
Finance costs									**(322,655)**	(350,049)
Loss before tax									**(1,421,608)**	(1,526,525)
Income tax expense									**(9,159)**	(121,246)
Loss for the period from continuing operations									**(1,430,767)**	(1,647,771)
Loss from a discontinued operation									**–**	(2,377)
Loss for the period									**(1,430,767)**	(1,650,148)

3. SEGMENT INFORMATION *(Continued)*

(a) Operating segment information *(Continued)*

	Amino acids		Polyol chemicals		Corn Sweetener		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*	**30 June 2014 (Unaudited) *HK$'000***	31 December 2013 (Audited) *HK$'000*
Segment assets	**12,164,344**	13,130,435	**3,993,816**	4,476,520	**3,462,212**	3,952,139	**19,620,372**	21,559,094
Reconciliation:								
Elimination of intersegment receivables							**(4,323,278)**	(4,244,055)
Cash and cash equivalents							**815,943**	1,309,997
Pledged deposits							**15,146**	133,996
Corporate and other unallocated assets							**–**	19,377
Assets related to a discontinued operation							**–**	6,331
Total assets							**16,128,183**	18,784,740
Segment liabilities	**2,708,798**	2,185,108	**4,591,555**	4,735,544	**1,072,209**	1,202,588	**8,372,562**	8,123,240
Reconciliation:								
Elimination of intersegment payables							**(4,323,278)**	(4,244,055)
Interest-bearing bank borrowings							**8,471,340**	9,752,782
Corporate and unallocated liabilities							**8,741**	56,676
Liabilities related to a discontinued operation							**–**	1,189
Total liabilities							**12,529,365**	13,689,832

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
	Six months ended 30 June					
	2014 (Unaudited) *HK$'000*	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*
Revenue:						
External customers	**2,851,426**	3,813,629	**791,421**	1,237,245	**3,642,847**	5,050,874

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 revenue, other income and gain is as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**3,642,847**	5,050,874
Other income		
Bank interest income	**5,665**	2,055
Gain on resumption of buildings, machines and fixtures	**256,863**	—
Sales of scrap and raw materials	**33,363**	23,004
Government grants*	**13,408**	12,640
Others	**6,211**	3,459
	315,510	41,158
Gains		
Gain on exercise of a put option by non-controlled interests	**—**	187,500
Gain on disposal of prepaid land premium	**—**	54,792
Exchange gain	**9,944**	—
Fair value gains/(losses), net:		
— Derivative financial instruments	**—**	317
— Equity investments at fair value through profit or loss	**764**	738
— Bonds	**—**	2,331
— Long term receivables	**8,169**	14,027
	334,387	300,863

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

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**313,355**	304,393
Finance costs for discounted bills receivable	**8,286**	13,397
Interest on bonds	**1,569**	1,418
Interest on a put option	**—**	32,991
Less: Interest capitalised	**(555)**	(2,150)
	322,655	350,049

6. LOSS BEFORE TAX

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

		Six months ended 30 June	
		2014	2013
	Notes	**(Unaudited)**	(Unaudited)
		HK$'000	*HK$'000*
Raw materials and consumables used		**3,031,042**	4,206,242
Exchange loss on exercise of a put option		**—**	35,714
Legal and compensation expenses		**18,131**	2,830
Depreciation	*10*	**297,605**	402,941
Loss on disposal of items of property, plant and equipment		**4,260**	—
Amortisation of prepaid land premiums		**12,322**	11,756
Amortisation of intangible assets		**4**	1,505
Fair value losses/(gains), net:			
— Derivative financial instruments		**4,800**	(317)
— Equity investments at fair value through profit or loss		**(764)**	(738)
— Bonds		**327**	(2,331)
— Long term receivables		**(8,169)**	(14,027)
Provision/(write-back) for impairment of trade receivables		**118,313**	(60,577)
Write-down of inventories to net realisable value#		**141,177**	425,371
Reversal of impairment of other receivables		**(10,778)**	—
Impairment of goodwill	*11*	**102,472**	—
Impairment of property, plant and equipment	*10*	**—**	581,335

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	—
Current — Mainland China:		
Income tax	**7,693**	13,423
Withholding tax	**—**	43,750
Deferred		
Income tax	**1,466**	23,769
Withholding tax	**—**	40,304
Tax charge for the period	**9,159**	121,246

No provision for Hong Kong profits tax has been made as the Group had no 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%).

Changchun Dahe Bio Technology Development Co., Ltd. was approved as an advanced and new technology enterprise by the Jilin Government for the period from 5 November 2010 to 4 November 2016. It enjoys a preferential income tax rate of 15% from 1 January 2010 onwards.

8. 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).

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

The calculation of the basic loss per share for the period ended 30 June 2014 is based on the consolidated loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,262,868,616 (six months ended 30 June 2013: 3,262,868,616).

During the six months ended 30 June 2014 and 2013, as anti-dilutive effect is resulted following the losses sustained by the Group, no adjustment has been made to the calculation of the dilutive loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
At 1 January		9,527,647	13,169,329
Additions		71,182	434,980
Acquisition of subsidiaries		—	692,127
Exchange realignment		(111,362)	311,985
Disposals		(7,317)	(41,028)
Classified as non-current assets held for sale		—	(759,480)
Deficit on revaluation		—	(266,072)
Depreciation	6	(297,605)	(818,857)
Impairment	6	—	(3,195,337)
At 30 June 2014/31 December 2013		9,182,545	9,527,647

Included in the Group's property, plant and equipment as at 30 June 2014, were items of HK$2,080,252,000 (31 December 2013: HK$2,292,314,000) which are identified by the 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 became idle at the reporting date as to prepare for the relocation. Management has performed impairment assessment on these assets by comparing to their recoverable amount, no provision has been noted.

11. GOODWILL

	Note	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
At 1 January 2014/1 January 2013		344,553	348,428
Impairment during the period	6	(102,472)	(3,875)
At 30 June 2014/31 December 2013		242,081	344,553

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 the 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, which are reportable segments, for impairment testing:

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Corn refinery plants	**28,442**	28,442
Assets to be retained in the Lu Yuan District, PRC	**213,639**	316,111
	242,081	344,553

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, Changchun, the PRC ("Lu Yuan District") in response to the request of the local government. Certain assets are retained in the Lu Yuan District and will not be located to the new production site. Goodwill of HK$316,111,000 has been allocated to the group of assets which were identified by the management to be retained in the Lu Yuan District pending for the disposal to the local government pursuant to a relocation plan.

The recoverable amount of the associated assets to be disposed of that goodwill is determined based on management estimated fair value less cost of disposal of the items of assets as associated therewith. The fair values of these items are determined by depreciated replacement cost approach. As at 30 June 2014, as the carrying amounts of the associated assets and goodwill exceed their recoverable amounts, impairment loss of HK$102,472,000 was recognised.

12. INVENTORIES

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Raw materials	**1,411,065**	2,139,083
Finished goods	**869,989**	1,202,485
	2,281,054	3,341,568

As at 30 June 2014, certain inventories were written down to net realisable value which amounted to approximately HK$1,519,669,000 (31 December 2013: HK$3,063,857,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Trade receivables	**1,041,607**	1,281,622
Bills receivable	**155,493**	294,355
Impairment	**(273,085)**	(156,720)
	924,015	1,419,257

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days were allowed to some major customers with a long term business relationship and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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	**388,168**	495,674
1 to 2 months	**186,885**	229,018
2 to 3 months	**69,150**	71,760
3 to 6 months	**144,184**	283,502
Over 6 months	**135,628**	339,303
	924,015	1,419,257

13. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
At 1 January	**156,720**	234,495
Impairment losses recognised	**128,422**	11,177
Impairment losses reversed	**(10,109)**	(88,097)
Amount written off as uncollectible	**—**	(7,018)
Exchange realignment	**(1,948)**	6,163
At 30 June 2014/31 December 2013	**273,085**	156,720

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

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Neither past due nor impaired	**644,203**	796,452
Less than 1 month past due	**94,686**	90,957
1 to 3 months past due	**49,498**	266,408
Over 3 months past due	**135,628**	265,440
	924,015	1,419,257

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.

As at 30 June 2014, trade and bills receivable of HK$27,000,000 (31 December 2013: HK$105,091,000) were pledged to secure bank loans.

14. TRADE AND BILLS PAYABLES

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	**599,567**	926,593
1 to 2 months	**639,563**	284,239
2 to 3 months	**160,335**	70,747
Over 3 months	**828,901**	943,679
	2,228,366	2,225,258

The trade payables are non-interest-bearing and normally settled on terms of 30 to 90 days.

15. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2014			31 December 2013		
	Effective interest rate %	**Maturity**	**(Unaudited) *HK$'000***	Effective interest rate %	Maturity	(Audited) *HK$'000*
Current						
Bank loans – secured	**6.90-9.00**	**2014-2015**	**25,000**	6.16-6.60	2014	132,747
Bank loans – unsecured	**6.00-7.80/ HIBOR+1.5**	**On demand/ 2014-2015**	**4,553,927**	6.00-7.315/ HIBOR+1.5/ HIBOR+2/ LIBOR+3/ HIBOR+2.6/ Higher (HIBOR+3.3, bank funding cost+1.5)	On demand/ 2014	4,160,513
Long term bank loans repayable on demand – unsecured	**HIBOR+1.5/ Higher (6-months HIBOR+3.3%, bank funding cost+1.5%)**	**On demand**	**88,438**	HIBOR+3/ HIBOR+2/ LIBOR+4/ HIBOR+2.6/ Higher (HIBOR+3.3, bank funding cost+1.5)/ HIBOR+1	On demand	28,438
Entrusted loans – secured	**9.00**	**2015**	**500,000**			–
Entrusted loans – unsecured			**–**	8.00	2014	632,911
			5,167,365			4,954,609
Non-current						
Bank loans – unsecured	**6.150-7.073**	**2015-2020**	**3,295,000**	6.40-7.315	2014-2020	4,789,084
Other loans – unsecured	**4.03**	**2018-2019**	**8,975**	4.03	2018-2019	9,089
			3,303,975			4,798,173
			8,471,340			9,752,782

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

At 30 June 2014, the Group's bank borrowings were guaranteed by the Company, certain subsidiaries of the Group and independent third parties with amounts of approximately HK$6,803,213,000 (31 December 2013: HK$6,981,023,000), approximately HK$1,107,903,000 (31 December 2013: HK$2,402,075,000), and approximately HK$231,250,000 (31 December 2013: HK$227,848,000) respectively.

As at 30 June 2014, certain of the Group's bank borrowings were pledged by trade and bills receivable amounting to HK$27,000,000 (31 December 2013: HK$105,091,000).

As at 30 June 2014, the Group's other loan of HK$500,000,000 was pledged by relocation compensation receivable from the local government amounting to HK$662,500,000 (31 December 2013: Nil).

As at 30 June 2014, no land was pledged to secure the Group's bank borrowings (31 December 2013: HK$61,634,000).

16. ISSUED CAPITAL

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

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Authorised:		
10,000,000,000 (31 December 2013: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,263,489,164 (31 December 2013: 3,263,489,164) ordinary shares of HK$0.10 each	**326,349**	326,349

17. CONTINGENT LIABILITIES

Since 2006, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") have been involved in litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") against the Relevant Group Members.

Alleged infringement of EP 1.664.318 (entitled "L-amino acid-producing microorganism and method for producing L-amino acid") ("EP '318").

Pursuant to the writs of summons received by the Relevant Group Members on 6 August 2013 from the court bailiff of the Court in The Hague, the Netherlands (the "Court"), the Plaintiffs alleged that the Relevant Group Members have infringed EP '318 and requested the Court to rule that the Relevant Group Members have committed infringement and to make orders against the Relevant Group Members for, among others things, (i) forbidding the Relevant Group Members to commit infringement, or in any case to be involved in and/or benefit from infringing activities with regard to the Dutch part of the Relevant Patent; (ii) forbidding the Relevant Group Members to be involved in and/or benefit from the commercial trade of L-lysine on the Dutch market for a period of one year; (iii) providing to the counsel of the Plaintiffs an overview of the turnovers and net profits realized with the infringing L-lysine products; (iv) requesting all buyers of the Relevant Group Members with registered offices in the Netherlands to return the infringing L-lysine products; (v) placing a message on the website of the Company regarding the infringement; (vi) surrendering and destroying the stored infringing L-lysine products in the Netherlands; (vii) paying penalty of EUR100,000 per day for non-compliance of any of the above orders; (viii) paying for the cost of the legal proceedings; and (ix) paying either the net profit enjoyed with the infringement and interest accrued thereon as the Plaintiffs may claim, or the net profit enjoyed by the Relevant Group Members or the damage, costs of which to be assessed by the Court.

On 8 January 2014, a response was filed on behalf of the Relevant Group Members disputing the allegations of infringement and by way of counterclaim requesting invalidation of the invoked patent. The Plaintiffs filed a response to the aforementioned counterclaim on 5 March 2014 and an oral hearing took place on 13 June 2014. The judgement is set for 10 September 2014.

Alleged infringement of EP 0.796.912 (entitled "novel lysine decarboxylase gene and process for producing L-lysine") ("EP '912")

A judgment has been rendered by the District Court which rules that the Relevant Group Members have committed infringement of EP '912. The District Court also issued orders, among other things, (i) prohibiting the Relevant Group Members from further infringement of the patent numbered EP '912 in the Netherlands; (ii) ordering the Relevant Group Members to deliver to the Plaintiffs or destroy all infringing L-lysine products in the Netherlands; (iii) ordering the Relevant Group Members to provide a report to the Plaintiffs' legal advisers showing the revenue and net profit generated by the infringing L-lysine products in the Netherlands; and (iv) ordering, at the choice of the Plaintiffs, the surrender of the net profits made by the Relevant Group Members from the alleged infringement or payment of damages to the Plaintiffs.

The directors have been advised by the Group's legal counsel that the Group has ground to defend the claims in relation to EP '318 and EP '912. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above, the Group did not have other significant contingent liabilities at the end of the reporting period.

At 30 June 2014, the banking facilities granted to the Company's subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$6,803,213,000 (31 December 2013: HK$6,981,023,000).

18. COMMITMENTS

At 30 June 2014, the Group had capital commitments as follows:

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**212,459**	161,626
Plant and machinery	**17,061**	76,258
	229,520	237,884

The Company did not have any other significant commitments as at 30 June 2014.

19. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

		Six months ended 30 June	
	Notes	**2014** ***HK$'000*** **(Unaudited)**	2013 *HK$'000* (Unaudited)
Sale of equipment to an associate	*(i)*	**–**	75
Sale of electricity and water to an associate	*(i)*	**–**	282
Purchase of corn starch from an associate	*(ii)*	**–**	51,400

(i) The transactions with Changchun Dacheng Hexin Technology Development Co., Ltd., an associate of the Group, were made at prices mutually agreed between the parties.

(ii) The transactions with Harbin Dacheng Bio Technology Co., Ltd. ("Harbin Dacheng"), a former associate of the Group, were made at prices mutually agreed between the parties. Harbin Dacheng became an indirect wholly-owned subsidiary of the Company in September 2013.

19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Due from associates	**24,798**	31,110

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

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2014 (Unaudited) ***HK$'000***	2013 (Unaudited) *HK$'000*
Short term employee benefits	**10,025**	10,156
Post-employment benefits	**70**	15
	10,095	10,171

20. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2014 (Unaudited)

Financial assets	Financial assets at fair value through profit or loss designated as such upon initial recognition *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Trade and bills receivables	—	924,015	924,015
Financial assets included in prepayments, deposits and other receivables	—	1,062,819	1,062,819
Due from associates	—	24,798	24,798
Equity investments at fair value through profit or loss	35,231	—	35,231
Pledged deposits	—	15,146	15,146
Cash and cash equivalents	—	815,943	815,943
Total	35,231	2,842,721	2,877,952

31 December 2013 (Audited)

Financial assets	Financial assets at fair value through profit or loss designated as such upon initial recognition *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Trade and bills receivables	—	1,419,257	1,419,257
Financial assets included in prepayments, deposits and other receivables	—	420,526	420,526
Due from associates	—	31,110	31,110
Equity investments at fair value through profit or loss	93,581	—	93,581
Derivative financial instruments	19,021	—	19,021
Cash and cash equivalents	—	1,309,997	1,309,997
pledged of deposits	—	133,996	133,996
Total	112,602	3,314,886	3,427,488

20. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

30 June 2014 (Unaudited)

Financial liabilities	**Fair liabilities at fair value through profit or loss designated as such upon initial recognition** *HK$'000*	**Financial liabilities at amortised cost** *HK$'000*	**Total** *HK$'000*
Trade and bills payables	**—**	**2,228,366**	**2,228,366**
Financial liabilities included in other payables and accruals	**—**	**866,835**	**866,835**
Interest-bearing bank and other borrowings	**—**	**8,471,340**	**8,471,340**
Total	**—**	**11,566,541**	**11,566,541**

31 December 2013 (Audited)

Financial liabilities	Fair liabilities at fair value through profit or loss designated as such upon initial recognition *HK$'000*	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	—	2,225,258	2,225,258
Financial liabilities included in other payables and accruals	—	691,742	691,742
Interest-bearing bank and other borrowings	—	9,752,782	9,752,782
Bonds	44,483	—	44,483
Total	44,483	12,669,782	12,714,265

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	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 assets				
Derivative financial instruments	**–**	19,021	**–**	19,021
Equity investment at fair value through profit or loss	**35,231**	93,581	**35,231**	93,581
	35,231	112,602	**35,231**	112,602

	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 liabilities				
Interest-bearing bank and other borrowings	**8,471,340**	9,752,782	**8,471,340**	9,752,782
Bonds	**–**	44,483	**–**	44,483
	8,471,340	9,797,265	**8,471,340**	9,797,265

Management has assessed that the fair values of cash and cash equivalents, the current pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to subsidiaries and amounts due from associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings and bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2014 was assessed to be insignificant.

Equity investments at fair value through profit or loss and derivative financial instruments, including currency swap contact, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amount of currency swap contract is the same as its fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair values:

As at 30 June 2014 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Equity investments at fair value through profit or loss	–	35,231	–	35,231

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Derivative financial instruments	—	19,021	—	19,021
Equity investments at fair value through profit or loss	—	93,581	—	93,581
	—	112,602	—	112,602

Liabilities measured at fair values:

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
Bonds	—	44,483	—	44,483

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Liabilities for which fair values are disclosed:

As at 30 June 2014 (Unaudited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	—	—	8,471,340	8,471,340

As at 31 December 2013 (Audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	—	—	9,752,782	9,752,782

22. LITIGATIONS

Since 2006, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") have been involved in litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") against the Relevant Group Members. Final judgement by the courts confirmed that the Relevant Group Members had infringed certain patents of the Plaintiffs. Relevant Group Members were forbidden to sell the infringed products in the Netherlands subsequent to the judgement.

In October 2013, a writ was served by the Plaintiffs on the Relevant Group Members in the Netherlands in respect of the Relevant Group Members' violation of the injunction as it was found that the Relevant Group Members continued to sell infringed products in the Netherlands.

22. LITIGATIONS *(Continued)*

By its judgement of 17 February 2014 (and the corrective judgement on 10 March 2014), the court confirmed the allegation against the Relevant Group Members. During the period, payment was made subsequent to the filing of the writ, pursuant to a request from the Plaintiffs. Subsequent to the reporting date, the Relevant Group Members received the writ of summons dated 12 August 2014, on which the Plaintiffs claims confirmation of the measures imposed by the judgement of 17 February 2014. The directors, after having sought legal advice and based on latest available information which includes a calculation method of the penalty as set out in the relevant judgement and the prior request for payment by the Plaintiffs, made a provision for the penalty, which the management considers to be a fair estimate of the penalty payable under the judgement subject to other methods of calculation of penalty not being applied or applicable, as to which the Company's external legal advices are unable to advise in definitive terms at this stage. The Group is currently seeking legal advice in relation to the above judgement, which may include an application for clarification of the judgement. Please refer to the Company's announcement dated 25 March 2014 for details of the infringement.

Apart from the disclosure in the interim condensed consolidated financial statements, the Relevant Group Members are also involved in other matters of litigations. Certain of the litigation have been settled and some of the litigations are pending for the outcome of the judgement. Management has estimated that these pending litigations would not give rise to significant financial liabilities to the Group.

23. EVENTS AFTER THE REPORTING PERIOD

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. The directors of the Company have been actively negotiating with the Changchun Land Reserve Centre, to agree on the compensation. As at 30 June 2014, items of HK$2,080,252,000 and HK$276,610,000 included in property, plant and equipment and prepaid land lease payments, respectively were identified by management to be recovered through sale pursuant to the relocation plan.

Subsequent to the reporting period, on 21 August 2014, mutual framework agreements have been reached by both parties whereby the parties have reached a preliminary understanding on the intention of the resumption of land. It was the parties' understanding that the compensation shall be determined based on the valuation to be performed by a valuer to be appointed by Changchun Land Reserve Centre after verification by the Changchun Land Reserve Centre and the Land Acquisition Reserve Transaction Fund Verification Centre. It is expected that formal land resumption compensation agreements will be entered into between the Group and Changchun Land Reserve Centre after the final terms and conditions shall have been agreed between the parties. For the purpose of this report, the Group has engaged two independent valuers to perform valuation of the subject land, buildings, machineries and fixtures erected thereon respectively, which valuation amounted to RMB2,450 million in aggregate as of 31 July 2014.