GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809

INTERIM REPORT 2015

* 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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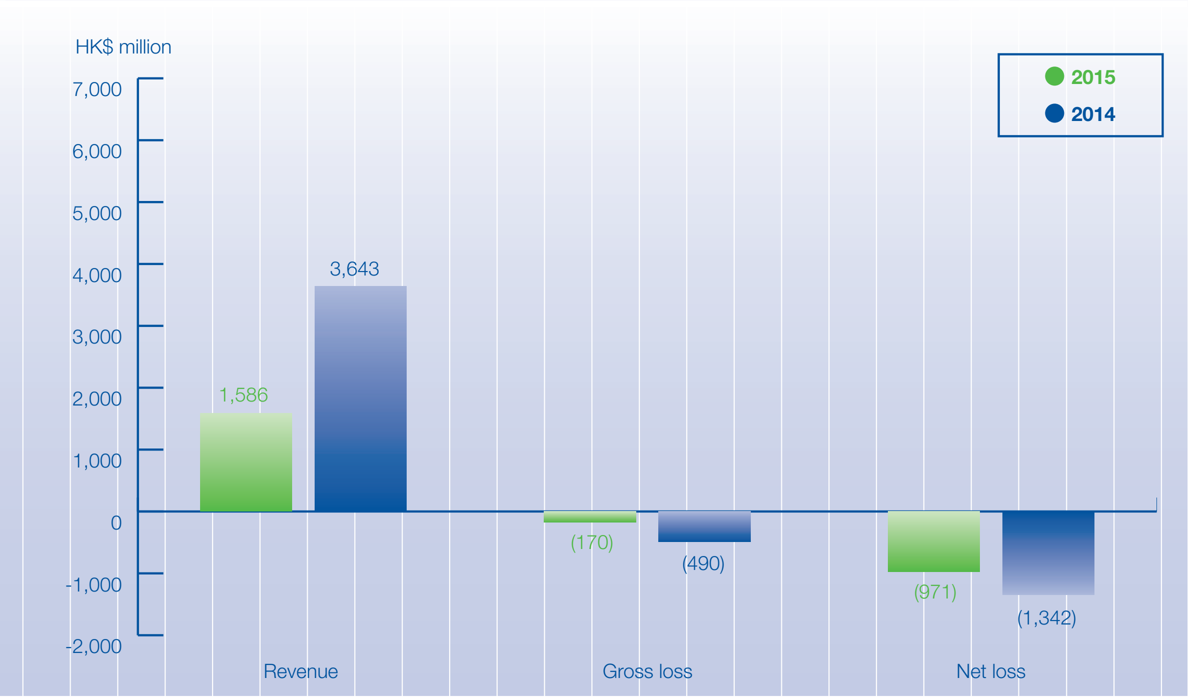
Financial Highlights



	Unaudited six months ended 30 June		
	2015	2014	Change
Operating results (HK$ million)			
Revenue	**1,586**	3,643	(56)%
Gross loss	**(170)**	(490)	65%
Net loss attributable to owners of the Company	**(971)**	(1,342)	28%
Basic losses per share (HK cents)	**(29.74)**	(41.13)	28%

Corporate Information

BOARD OF DIRECTORS

Liu Xiaoming, *Chairman*
Xu Ziyi, *Executive Director*
Li Weigang, *Executive Director*
Wang Yongan, *Executive Director*
Ji Jianping, *Executive Director*
Cheung Chak Fung, *Executive Director*
Chan Chi Wai, Benny,
Independent Non-Executive Director
Ng Kwok Pong,
Independent Non-Executive Director
Yeung Kit Lam,
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 first half of 2015, the lysine industry continued to be hampered by overcapacity and weak product average selling price ("ASP"). The industry's recession, which has lasted for a couple of years, is yet to show sign of recovery.

Corn kernel price in China remained at an unrealistically high level despite the stable supply of crops and the difficult market condition of the corn refining sector. Battling the odds of high raw material costs and weakened consumption, most lysine manufacturers in China were operating at a loss or close to break-even point in recent years.

In light of a sluggish demand and low product ASP, the Group maintained a relatively low level of production activities. Following the suspension of lysine production at its Lu Yuan plant in Changchun, which had a production capacity of 200,000 metric tons per annum, the Group continued to scale down its operation in the six-month period, in order to minimise operating expenses.

However, the lowering of facility utilisation though helped to minimise the Group's capital outlay, had inevitably raised product unit cost that affected the Group's operation efficiency. The Group had thus incurred a loss for the period under review.

The relocation of its amino acid operations from Lu Yuan District to Dehui in Changchun had commenced last year. The Group would schedule the progress of relocation in accordance to the market condition and its cash flow position. The relocation allows the Group to concentrate all of its amino acid production in Dehui for higher operation and administration efficiency.

The corn-sweetener sector of the Group had also suffered from high corn costs and severe price competition, and remained at a loss during the period.

As announced by the Company on 30 August 2015, the Group entered into a subscription agreement with Modern Agricultural Industry Investment Limited (the "Subscriber") on 30 August 2015, regarding the issue of subscription shares and convertible bonds of the Company to the Subscriber for a total consideration, which will be settled in Hong Kong dollar, equivalent to RMB1.5 billion. Upon completion of the subscription, the Subscriber would be interested in approximately 49 per cent of the Company's enlarged issued share capital. The Subscriber's shareholding in the Company may further increase should they decide to convert the convertible bonds into shares of the Company.

In light of the volatile market and uncertain global market conditions, equity financing by way of the subscription is a more practicable and direct means of raising additional capital and we believe this is in the best interest of the Company and its shareholders as a whole. The fund raised shall allow the Group to improve its liquidity and to meet its ongoing working capital requirements.

We are of the opinion that bringing in a controlling shareholder to the Company whose parent group has an extensive business and governmental network in the PRC will provide support to the Group and potentially lower its financing costs. It would also allow the Group to potentially benefit from the strong support and resources of the controlling shareholder.

Message to Shareholders

OUTLOOK

The global lysine market is still under the pressure of overcapacity and low product ASP. It is expected that the off-balanced market situation is not likely to be overturned in the near future.

In China, the harsh operating environment has expedited the lysine sector's consolidation. In addition to the elimination of inefficient smaller market players, there are also mergers of larger manufacturers for strengthening of their market presence. Such changes are expected to continue until there is a significant improvement in the industry's overall profitability.

The Group has been actively seeking opportunities for both strategic or equity cooperation to further consolidate its operations. We believe the introduction of resourceful shareholders or business partners could help to bolster our competitive edges.

The Group's negotiation with Changchun Land Reserve Centre for the resumption of pieces of land and facilities in the Lu Yuan District Changchun is underway. Upon agreement on the terms of resumption, the Group would be entitled to further capital to strengthen its financial position.

The directors of the Group and staff at all levels have been devoting their efforts to steer the Group out of the storm. With their endeavour and continued support from the local government, our bankers and shareholders, we are confident that the Group is not far from seeing the light at the end of the tunnel.

Liu Xiaoming
Chairman

31 August 2015

Management Discussion and Analysis

Global Bio-Chem Technology Group Company Limited (the "Company") and it subsidiaries (collectively, 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

Market environment continues to be challenging as negative impacts have been brought forward from last year to the first half of 2015 across different industries including agricultural, food & beverages, and in particularly, the corn refinery and feed additive industries. The Group has recorded a loss in the first half of 2015, although the loss has been narrowed down as compared to the corresponding period last year.

The cost of raw materials, such as corn kernel remains unreasonably high and the overall market sentiment of the corn processing industry is sluggish due to tough impacts from last year. The operation of this sector endures at minimal utilization associate with limited operations in downstream amino acid business.

During the six months ended 30 June 2015 (the "Period"), the amino acid business of the Group continued to be hampered by overcapacity and weak product average selling price. The average selling price remained below the marginal line and the business recorded loss during the period under review.

The operations of polyol chemical business of the Group continued to be suspended during the period under review. Yet, close observation on market changes and modification of products portfolio will be the uptake strategies for this business of the Group.

The Group has been actively seeking opportunity for both strategic or equity cooperations to further consolidate its operations. The management believes the introduction of resourceful shareholders or business partners to the Group could help to reflect and activate our competitive edges.

The following is the opinion of the audit committee of the Company (the "Audit Committee"), on the Group's unaudited consolidated financial statements for the Period.

OPINIONS BY THE AUDIT COMMITTEE

Opening balances and comparative figures

As detailed in the auditor's report dated 31 March 2015 on the consolidated financial statements of the Group for the year ended 31 December 2014, the auditor disclaimed their opinion on the Group's consolidated financial statements for the year ended 31 December 2014. The details of which are set out in the auditor's report dated 31 March 2015 and included in the Group's annual report for the year ended 31 December 2014.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2014 formed the basis for the corresponding figures presented in the current period's consolidated financial statements, any adjustments found to be necessary in respect of the carrying amount of the abovementioned matters would have a significant effect on the opening balances and consequential effect on the consolidated results and cash flows for the Period and the related disclosures thereof in the consolidated financial statements of the Group for the Period. The opinion of the Audit Committee on the current period's consolidated financial statements is uncertain because of the possible effect of this matter on the comparability of the current period's figures and corresponding figures.

OPINIONS BY THE AUDIT COMMITTEE *(Continued)*

Impairment of non-current assets

As at 30 June 2015, an aggregate amount of non-current assets amounting to HK$9,158 million which of comprised property, plant and equipment of HK$8,457 million (net of depreciation and impairment), prepaid land lease payments of HK$687 million, deposits paid for acquisition of property, plant and equipment and prepaid land lease payments of HK$9 million and intangible assets of HK$5 million were included in the Group's consolidated statement of financial position. In view of the losses sustained by the Group, the Group should have performed an impairment assessment on these assets in accordance with Hong Kong Accounting Standard ("HKAS") 36: Impairment of Assets issued by the Hong Kong Institute of Certified Public Accountants to ascertain whether these assets have been impaired. It was a departure from HKAS that the management has not performed an impairment assessment on these assets as at 30 June 2015. Any adjustments found to be necessary to the amount provided for the impairment would have an effect on the Group's net assets as at 30 June 2015 and consequently, the net loss for the Period, and the related disclosures thereof in the consolidated financial statements.

Financial guarantee contracts

During the course of last year's audit, the management identified that the Group and the Company had issued guarantees to banks in connection with facilities granted to a major supplier which amounted to RMB3 billion at 31 December 2010, 2011 and 2012, RMB3.35 billion as at 31 December 2013 and RMB2.85 billion as at 31 December 2014. As at 30 June 2015, the financial guarantees to banks continue existing with total amount of RMB2.85 billion. These financial guarantee contracts were not recognised in the Group's and the Company's financial statements. As the Group has not assessed the fair value of these guarantees, as required by HKAS 39 Financial Instruments: Recognition and Measurement issued by the Hong Kong Institute of Certified Public Accountants, the impact of this departure on the financial statements cannot be quantified.

Had these financial guarantee contracts been recognised in the Period, the amount of the financial liability recorded in the statement of financial position of the Group would have been materially affected as at 30 June 2015 and the net loss for the Period, and the related disclosures thereof in the consolidated financial statements.

Prepayments and other receivables

Included in the Group's prepayments, deposits and other receivables balance as at 30 June 2015 was an outstanding prepayment made to and other receivable from a major supplier for the purchases of corn kernels with a total amount of HK$809 million (2014: HK$793 million). As the supporting documents for the inventories returned to the supplier were insufficient, whether the sales return was fairly stated was uncertain. Furthermore, the evidence to verify the nature of the balance and the recoverability of the outstanding balance due from the supplier is insufficient. Any adjustments found to be necessary would have an effect on the Group's net assets as at 30 June 2015 and consequently, the net loss for the Period, and the related disclosures thereof in the consolidated financial statements.

OPINIONS BY THE AUDIT COMMITTEE *(Continued)*

Equipment leasing

As at 3 August 2015, the management was notified that a subsidiary of the Group, Changchun GBT Bio-Chemical Co., Ltd. had entered into an equipment leasing agreement with the Finance Bureau of Changchun(長春市財政局)for the lease of certain machineries and equipment on 30 December 2014, the terms of the lease are 20 years with the total lease fee amounted to approximately RMB672 million. The aforesaid assets are related to those assets with the resumption amount of RMB560 million mentioned in announcement on 7 May 2014 "Major transaction in relation to resumption of buildings, machineries and fixtures". Such was departure from HKAS 17: Leases issued by the Hong Kong Institute of Certified Public Accountants that the management has not assessed and recognized the leases in the consolidated financial statements. Any adjustments found to be necessary would have an effect on the Group's net assets as at 30 June 2015 and consequently, the net loss for the Period and the related disclosures thereof in the consolidated financial statements.

UPDATE ON REMEDIAL MEASURES

The financial statements of the Company for the year ended 31 December 2014 had been subject to the disclaimer of opinions of the auditors of the Company on the basis as set out in the paragraph headed "Basis for disclaimer of opinion" in the independent auditors' report of the annual report of the Company for the year ended 31 December 2014 ("2014 Annual Report"). Further to the management response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Management Response to the Independent Auditor's Report and Remedial Measures to be Taken" in the 2014 Annual Report, the management of the Company wishes to update on the relevant remedial measures taken or to be taken by the Group.

Impairment of non-current assets

As detailed in the 2014 Annual Report, the management should have performed an impairment assessment on the non-current assets with the aggregate amount of HK$8,200 million in accordance with HKAS 36 *Impairment of Assets* to ascertain whether such assets have been impaired as at 31 December 2014. Upon the completion of the resumption of the land, buildings, machinery and fixtures erected on the land on which the Group's production facilities in Lu Yuan district, Changchun were situated, the management will conduct an impairment assessment report on these buildings, machinery and fixtures internally or by an independent valuer.

Financial guarantee contracts

As detailed in the 2014 Annual Report, the management needed to assess the fair value of the relevant guarantees ("Supplier Guarantees") to banks in connection with facilities granted to長春大金倉玉米收儲有限公司(Changchun Dajincang Corn Procurement, Ltd., "Dajincang"), and recognised in the Group's financial statements.

UPDATE ON REMEDIAL MEASURES *(Continued)*

Financial guarantee contracts *(Continued)*

In order to avoid recurrence of the incidents as set out therein, the following remedial measures, among others, have been or will be taken by the Group:

(a) in order to limit the immediate risk of the Company's subsidiary in the People's Republic of China (the "PRC") being called upon to pay under the Supplier Guarantees, the management has reconfirmed the support by the lending bank of Dajincang under the banking facilities (the "Dajincang Bank Facilities") to which the Supplier Guarantees relate to Dajincang that the lender bank would not lower its credit rating, nor to reduce the amounts of facilities granted to Dajincang in the foreseeable future.

(b) Dajincang is in the process of negotiation with the bank to release the Supplier Guarantee provided by the Group and to be replaced by other forms of security by the labour union of the employees of the Group in the PRC, being the major shareholder of Dajincang;

(c) Dajincang has agreed not to make further drawings in excess of current amount, i.e. RMB2.49 billion under the Dajincang Bank Facilities; and

(d) the Company has engaged a professional valuer to perform an independent valuation of the Dajincang Financial Guarantees. However, the valuation has not yet been completed as at the date of this report as more than expected time is required to agree on a mutually acceptable valuation methodology, including but not limited to market evidences, among the valuer, the auditors and the Company, and the collection of Dajincang's financial information for the valuation and therefore the fair value of the Dajincang Financial Guarantees were not recognised in the Group's interim condensed consolidated financial statements (the "2015 Interim Financial Statements"). It is currently expected that the valuation will be completed in time for the preparation of the Company's and the Group's financial statements for the year ending 31 December 2015 (the "2015 Financial Statements"). Should the valuation be ready, adjustments may have to be made to reflect the fair value of the Dajincang Financial Guarantees, which may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and 30 June 2015 and its loss for the Period.

    The internal control expert will be engaged and review the internal control procedures relevant to the approval and reporting of guarantees and be engaged to pledges of assets.

Inventory losses

As detailed in the 2014 Annual Report, in respect of the impairment loss on and sales of substandard and inferior corn kernels, the loss of HK$32 million against certain corn kernels with significant reduction in production yield and the loss of HK$30 million arising from coal being scrapped, the management needed to provide the supporting documents. To avoid recurrence of similar incidences in the future, the Group has taken or will take the following remedial actions:

(a) In respect of the impairment loss on and sales of substandard and inferior corn kernels and scrapped coal, the management will enhance and implement sufficient control procedures to timely identify, quantify and dispose of substandard and inferior corn kernels and scrapped coal on a periodic basis with appropriate supporting control documents being properly kept in writing as audit trail; and

UPDATE ON REMEDIAL MEASURES *(Continued)*

Inventory losses *(Continued)*

(b) In respect of the abnormal wastage of corn kernels during production, the management is in the process of finalizing additional control procedures requiring written records to be kept for the quantity of the relevant corn kernels put into the production line, and any abnormal production yield and wastages should be timely investigated and properly accounted for.

Inventories

As detailed in the 2014 Annual Report, the management needed to provide the supporting documents for the ownership of the relevant inventories of corn kernels and coal that were kept at locations outside of the Group's premises. To avoid recurrence of similar incidences in the future, the Group will adopt internal control procedures with standard not lower than that applicable to those inventories kept at the Group's own premises, including but not limited to keeping independent inventory records for inventories stored in all outside locations and the transfers between such outside locations and its own warehouses, and obtaining monthly confirmation from external custodians of the Group's assets.

Prepayment and other receivables

As detailed in the 2014 Annual Report, in relation to the sales return of the corn kernels and the nature of the outstanding balance due from Dajincang, the management needed to provide the supporting documents for the inventories returned to Dajincang. To avoid recurrence of similar incidences in the future, the Group will, among others:

(a) keep independent inventory records for inventories stored in the warehouses of Dajincang and all outside locations, including the transportation documents for the transfers between such outside locations and its own warehouses;

(b) obtain monthly confirmation from Dajincang and external custodians of the Group's inventories and periodic inventory taking will be conducted by the management; and

(c) better inventory procurement planning and monitoring will be implemented to align procurement with updated production plans.

Regarding the recoverability of the outstanding balance due from Dajincang as at 30 June 2015, Dajincang issued repayment schedule that the outstanding balance will be fully settled by installment on or before 30 June 2016. To avoid recurrence of similar incidences in the future, the Group will continue to strength its credit control for its operations in the PRC. Credit ratings of all suppliers in the case of goods return and deposit paid in advance must be conducted before engagement of suppliers. Creditor terms offered should be in line with credit rating of the relevant suppliers.

Accounts payable

As detailed in the 2014 Annual Report, adequate confirmation responses directly from the suppliers should be obtained. To avoid recurrence of similar incidences in the future, the Group will provide sufficient training to its staff in the PRC in relation to confirmation procedures, including but not limited to the confirmation procedures by the auditors. The Group will also enhance the procedures to ensure the accuracy of account payables including complete filing of relevant contracts, invoices and monthly statements for creditors' confirmations. The Hong Kong team will monitor the internal control department quarterly to ensure proper functions including payment instruction to suppliers and payment balances.

UPDATE ON REMEDIAL MEASURES *(Continued)*

Impairment of non-current assets

As detailed in the 2014 Annual Report, due to the significant losses sustained by the Group as at 31 December 2014, the auditors were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the directors of the Company (the "Directors") impairment estimation. The management will continue to negotiate with the valuers and the auditors to reach a common basis for determining the recoverable amount of the non-current assets before the preparation of the 2015 annual report, including but not limited to the use of a discounted cash flows method. The management considers that reaching a mutually acceptable valuation basis will be less controversial when the Group's operations and the market environment stabilizes and the relocation of the Group's production facilities in Changchun and the resumption of the related land by the local government is finalized.

Impairment of investment in subsidiaries and amounts due from subsidiaries

As detailed in the 2014 Annual Report, the auditors were not able to obtain sufficient appropriate evidence to assess whether relevant investments and amounts due from subsidiaries were impaired as at 31 December 2014. The management will conduct impairment assessment of investments in subsidiaries and amounts due from subsidiaries upon the completion of the assessment on the fair value of the Supplier Guarantees and the relevant guarantees to banks in connection with facilities granted to subsidiaries of the Company.

Fundamental uncertainties relating to going concern

As detailed in the 2014 Annual Report, the auditors have raised fundamental uncertainties relating to going concern of the Group.

To weather the challenges brought along by the volatile market environment, the Group will undertake sensible strategies in managing the operation plan and strategies in improving the financial status of the Group.

The Group is in active negotiations with the local government to confirm the relocation compensation, and in active negotiation with banks to obtain adequate bank borrowings to finance the Group's operations.

In reacting to unsteady market demand and trimmed lysine average selling price, utilisation of production facilities will be adjusted cautiously to best fit market sentiments but also taking measures in cost controls with the aim to attain positive cash flow.

FINANCIAL PERFORMANCE

Group Financial Performance

(Revenue: HK$1.6 billion (2014: HK$3.6 billion))
(Gross loss: HK$170 million (2014: HK$490 million))
(Net loss: HK$1,031 million (2014: HK$1,431 million))

The decline in revenue was mainly due to the decline in the demand of the Group's products which in particular, the sale of the Group's lysine products was affected by the heavy market competition. The increase of the average cost of corn kernels by approximately 6% to approximately HK$2,567 (2014: HK$2,422) per metric tonne ("MT") compared with the same period last year.

Amino acids segment

(Revenue: HK$643 million (2014: HK$2,092 million))
(Gross loss: HK$173 million (2014: HK$389 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 69%, which were mainly attributable to the heavy pressure on demand of the products.

The revenue and gross loss of amino acids major products, such as lysine, protein lysine, and threonine amounted to approximately HK$361 million (2014: HK$1,334 million) and approximately HK$170 million (2014: HK$299 million) respectively, which accounted for approximately 23% (2014: 37%) of the Group's total revenue.

Among the major products, lysine products contributed to a great extent to the Group's operations, which are applied as an additive in animal feed. The downturn cycle is mainly attributable to the additional production capacity launched from the market. The sales volume dropped of 79% due to a declining demand from animal feed market and heavy market competition.

The modified starch products within the segment recorded revenue of approximately HK$19 million (2014: HK$60 million) and gross loss of approximately HK$10.5 million (2014: gross profit HK$2.8 million) due to increasing production costs.

Decrease in sales volume of corn refined products by approximately 77% resulted in the revenue to decrease by approximately 62% as compared with the same period last year, which amounted to approximately HK$263 million (2014: HK$698 million). The gross loss and gross loss margin of the upstream corn refined products were approximately HK$37 million (2014: HK$93 million) and approximately 14% (2014: 13%) respectively.

Polyol chemicals segment

(Revenue: HK$45 million (2014: HK$492 million))
(Gross loss: HK$32 million (2014: HK$134 million))

FINANCIAL PERFORMANCE *(Continued)*

Polyol chemicals segment *(Continued)*

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

The production of polyol chemicals had been suspended since March 2014, the sales volume of the corn refined products decreased by approximately 99% to approximately 41 MT (2014: 34,428 MT) as compared with the same period last year. During the Period, the revenue decreased by approximately 99% to approximately HK$0.3 million (2014: HK$84 million) and the gross loss decreased by approximately 83% to approximately HK$2.4 million (2014: HK$14 million).

During the Period, the polyol chemicals products generated revenue of approximately HK$45 million (2014: HK$80 million) and contributed gross loss amounting to approximately HK$33 million (2014: HK$53 million). Such result was driven by consequential decline in market prices of chemical products due to unfavorable market conditions in the chemical industry. The market selling price of chemical products has been dropping dramatically since second quarter of 2013, therefore, an additional provision of closing inventories of polyol chemicals amounted to approximately HK$29 million at 30 June 2015 (2014: HK$50 million) was made. As a result, this business recorded a gross loss margin of approximately 66% (2014: 67%) during the Period.

Ammonia is a product launched by the Group in 2013, but the whole operation of which was suspended since March 2014. As such, no revenue (2014: HK$104 million) nor gross loss (2014: HK$55 million) of ammonia are recorded during the Period.

Corn sweeteners segment

(Revenue: HK$931 million (2014: HK$1,499 million))
(Gross profit: HK$36 million (2014: HK$33 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"), an indirect non-wholly owned subsidiary of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and its subsidiaries.

The operating environment of corn sweeteners was depressed by the increased raw material costs during the Period. The sales volume dropped by approximately 38% and revenue of corn sweeteners division decreased by approximately 38% as compared with the same period last year. The gross profit from this segment decreased to approximately HK$36 million (2014: HK$33 million), with a gross profit margin of approximately 3.8% (2014: 2.2%).

Consolidated results by product series

The consolidated revenue of the Group's products sold to external customers decreased substantially by approximately 56% and gross loss decreased by approximately 65% respectively during the Period, which were mainly attributable to the unfavorable market conditions and decreases in production utilization. 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:

FINANCIAL PERFORMANCE *(Continued)*

Consolidated results by product series *(Continued)*

For the six months ended 30 June 2015

Product series	**Sales volume** *MT*	**Average selling price** *HK$ per MT*	**Average cost of goods sold** *HK$ per MT*	**Revenue** *HK$000*	**Gross profit/ (loss)** *HK$000*
Upstream products	**250,499**	**2,899**	**3,127**	**726,174**	**(57,099)**
Downstream products					
Amino acids	**48,175**	**7,184**	**9,486**	**346,085**	**(110,880)**
Modified starch	**3,969**	**4,805**	**7,447**	**19,068**	**(10,485)**
Polyol chemicals	**12,866**	**3,514**	**6,110**	**45,205**	**(33,406)**
Ammonia	**—**	**—**	**—**	**—**	**—**
Corn sweeteners	**127,616**	**3,522**	**3,193**	**449,440**	**41,913**
Total				**1,585,972**	**(169,957)**

For the six months ended 30 June 2014

Product series	**Sales volume** *MT*	**Average selling price** *HK$ per MT*	**Average cost of goods sold** *HK$ per MT*	**Revenue** *HK$000*	**Gross profit/ (loss)** *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)

Export Sales

The Group generated revenue of approximately HK$244 million (2014: HK$791 million) from export sales, which accounted for approximately 15% (2014: 22%) of the Group's total revenue, representing an decrease of approximately HK$547 million or approximately 69% as compared with same period last year. The drop was due to the slowdown of the global market.

FINANCIAL PERFORMANCE *(Continued)*

Operating expenses, finance costs and income tax expense

Despite the decrease of approximately 54% in total sales volume of the Group, the selling and distribution costs amounted to approximately HK$111 million (2014: HK$331 million), representing a decrease of approximately 66% as compared with same period last year. However, the ratio of such operating expenses over the Group's revenue decreased to approximately 7% (2013: 9%) as the revenue of the Group decreased by approximately 56% as compared with the corresponding period last year.

The administrative expenses was approximately HK$363 million (2014: HK$362 million). Nevertheless, the ratio of such administrative expenses to revenue increased to approximately 23% (2014: 10%), due to the scale down of production volume of lysine products and polyol chemicals which had been temporarily suspended from April 2014 in view of unfavourable market conditions, and certain production costs of polyol chemicals during that period had been 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 by Changchun Baocheng Bio-chem Development Co, Ltd. ("Baocheng") with annual production capacity of 200,000 MT had been suspended since April 2014, and the production costs of Baocheng had been re-allocated to administrative expenses.

The other operating expenses for the Period amounted to approximately HK$135 million (2014: HK$250 million) mainly comprising of legal expenses of approximately HK$8 million (2014: HK$18 million) for the infringement litigations in Europe; the research and development expenses of approximately HK$0.2 million (2014: HK$10 million) due to the development of new series of lysine products, the provision for doubtful debts of approximately HK$22 million (2014: HK$118 million) for the long overdue debtors.

The finance costs of approximately HK$291 million (2014: HK$323 million) decreased by approximately 10% as compared with same period last year. However, it is anticipated that the heavy pressure from finance costs will continue for the year 2015.

The total income tax amounting to approximately HK$2 million (2014: HK$9 million) was charged for the Period representing a decrease of approximately 81% over last period.

Loss shared by non-controlling shareholders

During the Period, GSH recorded a loss of approximately HK$156 million (2014: HK$240 million) in which gave rise to the loss shared by the non-controlling shareholders of GSH amount to approximately HK$56 million (2014: HK$87 million).

During the Period, Changchun Wanxiang Corn Oil Co., Ltd ("Changchun Wanxiang"), which is a wholly owned foreign owned enterprise established in the PRC and a member of the Group, was principally engaged in the manufacture and sales of corn oil. Changchun Wanxiang recorded a loss of HK$8 million (2014: HK$5 million) in which gave rise to the loss share by the non-controlling shareholders of Changchun Wanxiang of approximately HK$4 million (2014: HK$2 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2015 decreased by approximately HK$101 million to approximately HK$8.6 billion (31 December 2014: HK$8.7 billion). The net borrowings increased to approximately HK$8.3 billion (31 December 2014: HK$7.9 billion). Cash and cash equivalents and pledged deposits decreased by approximately HK$413 million to approximately HK$335 million (31 December 2014: HK$749 million) as compared to the cash level as at 31 December 2014.

Structure of interest bearing borrowings

As at 30 June 2015, the Group's bank and other borrowings amounted to approximately HK$8.6 billion (31 December 2014: HK$8.7 billion), of which approximately 1% (31 December 2014: 1%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 99% (31 December 2014: 99%) were denominated in Renminbi ("RMB"). The average interest rate during the Period was approximately 6.8% (31 December 2014: 7.2%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 76% (31 December 2014: 69%), approximately 20% (31 December 2014: 27%) and approximately 4% (31 December 2014: 4%), respectively. In view of the continuous support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Period, trade receivables turnover days remained at similar level to approximately 37 days (31 December 2014: 33 days). Meanwhile, the trade creditor's turnover days increased to approximately 134 days (31 December 2014: 100 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, the inventory turnover days increased to 57 days (31 December 2014: 42 days), simultaneously, the Group's stock level was decreased to approximately HK$548 million (31 December 2014: HK$844 million) during the Period.

The decrease of inventories of approximately HK$296 million when compared to the position as at 31 December 2014, the current ratio and the quick ratio worsen to approximately 0.3 (31 December 2014: 0.4) and 0.3 (31 December 2014: 0.4) respectively. Moreover, due to the increase in short term borrowings during the Period, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalents plus pledged deposits) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 3,599% (31 December 2014: 631%) and to approximately 5,482% (31 December 2014: 966%) 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 68% (31 December 2014: 63%) and 3,745% (31 December 2014: 691%) respectively. In view of the continuous support from existing bankers, the Group is of the view that continuous financing resources for its operation could be obtained.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Foreign exchange exposure

Since most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. 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 2015.

LITIGATIONS

As at the date 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.

LITIGATIONS *(Continued)*

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

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.

As at the date 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 was scheduled to take place on 10 December 2014.

LITIGATIONS *(Continued)*

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.

In addition, as disclosed in an announcement of the Company dated 7 August 2015, the Relevant Group Members recently received, through their Netherlands legal advisers, a demand from the legal advisers of the Plaintiff for damages of over EUR2.2 million in respect of the infringement of EP '710, EP '712 and EP '912 (the "Claimed Damages") and for payment of the cost of the independent auditor as mentioned in the announcement of the Company dated 25 March 2014 at around EUR260,000 to EUR290,000. After seeking legal advice from the Netherlands legal advisers, the Relevant Group Members believe that they have grounds to challenge the basis of calculation of the Claimed Damages. Therefore, the Claimed Damages will not be settled by the Relevant Group Members at this stage. As such, it is expected that the Plaintiffs will initiate damages assessment proceedings for assessment of the Claimed Damages. The Relevant Group Members have also, through its Netherlands legal advisers, asked the Plaintiff to provide a detailed cost assessment of the independent auditor as mentioned above.

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. On 10 September 2014, the Group received judgment from the District Court of The Hague, the Netherlands which has rejected all the claims made by the Plaintiffs.

LITIGATIONS *(Continued)*

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

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiff are rejected and the Plaintiffs are ordered to pay the legal costs of the Relevant Group Members which payment is immediately enforceable. Further, the Court has also allowed part of the counterclaim made by the Relevant Group Members. The Plaintiffs timely appealed the decision by means of a writ of summons dated 9 December 2014 and the Relevant Group Members filed its response and cross appeal on 24 February 2015. As at 30 June 2015, the infringement is still in the proceedings.

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 2015.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Equipment leasing

As at 3 August 2015, the management was notified that a subsidiary of the Group, Changchun GBT Bio-Chemical Co., Ltd. had entered into an equipment leasing agreement with the Finance Bureau of Changchun（長春市財政局）for the lease of certain machineries and equipment on 30 December 2014, the terms of the lease are 20 years with the total lease fee amounted to approximately RMB672 million. The aforesaid assets are related to those assets with the resumption amount of RMB560 million mentioned in announcement on 7 May 2014 "Major transaction in relation to resumption of buildings, machineries and fixtures". Such was departure from HKAS 17: "Leases" issued by the Hong Kong Institute of Certified Public Accountants, that the management has not assessed and recognized the leases in the consolidated financial statements. Any adjustments found to be necessary would have an effect on the Group's net assets as at 30 June 2015 and consequently, the net loss for the Period and the related disclosures thereof in the consolidated financial statements of the year ended 31 December 2014.

OUTLOOK

In view of the period of uncertainty which is yet to be over, the Group is taking sensible strategies in managing a development plan that takes into account the financial status and prudent control in operation. Nevertheless, minimal utilization rate in operation is expected for the second half of the year in order to minimize operating cash flow needs. Again, the management team will continuously take close observation on market changes and will conduct cautious study of feasibilities in corporate action to strengthen the financial position of the Group.

OUTLOOK *(Continued)*

Relocation of the production facilities of the Group to Dehui District for amino acid segment and Xinglongshan District for other facilities including corn sweeteners segment from Lu Yuan District, Changchun has commenced last year. The Changchun municipal government has been very supportive in assisting the Group's relocation, and further negotiation is underway with the Land Reserve Centre of Changchun regarding the compensation for the rest of the Group's Changchun plant in the central district of the city. The Group would schedule the progress of relocation in accordance to the market condition and its cash flow position.

The Group entered into a letter of intent, in early June this year, with Jilin Province Communication Investment Group Co., Ltd. ("Jilin CIG") for a possible subscription, by Jilin CIG, of the Group's shares for a total consideration of not less than RMB1.5 billion. The Company consequently entered into a subscription agreement with Modern Agricultural Industry Investment Limited (the "Subscriber") on 30 August 2015 pursuant to which the Subscriber has conditionally agreed to subscribe certain shares and convertible bonds to be issued by the Company at a consideration of RMB1,500,000,000. For further information, please refer to the announcement of the Company dated 30 August 2015. The possible introduction of a new shareholder to the Company represents an opportunity to strengthen the financial position of the Group and will be in the interest of Company and its shareholders as a whole.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2015, the Group had approximately 5,600 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 2015, 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 Rules Governing the Listing of Securities on the Stock Exchange (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**	**Beneficiary of trust**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Liu Xiaoming	*1*	19,090,400	489,048,000	–	660,000	508,138,400	15.57
Ms. Xu Ziyi	*2*	5,576,400	–	70,000	–	5,646,000	0.17
Mr. Ji Jianping	*3*	–	–	–	660,000	660,000	0.02
Mr. Cheung Chak Fung		1,325	–	–	–	1,325	0.00

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

		Number of shares held capacity and nature of interest			
Name of Director	*Notes*	**Directly beneficially owned**	**Interest of Spouse**	**Total**	**Approximate percentage of GSH's issued share capital**
Mr. Liu Xiaoming	*4*	6,000,000	–	6,000,000	0.39

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

Name of Director	Directly beneficially owned	Interest of spouse	Total	Approximate percentage of the Company's issued share capital
Mr. Cheung Chak Fung	—	10,000	10,000	0.00

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 Shares held by Mr. Ji Jianping as beneficiary under the trust, The Bright Balance Unit Trust.

4. 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 2015, 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 2015, 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 2015, 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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The board of directors of the Company (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.

During the Period, Mr. Li Defa tendered his resignation on 5 February 2015 as an independent non-executive Director as he wished to devote more time on his other work commitment. Following his resignation as an independent non-executive Director, Mr. Li also ceased to act as a member of the Audit Committee. Following Mr. Li's resignation, the Company had only two independent non-executive Directors and the Audit Committee had only two members, which fell below the minimum number required under the Listing Rules. The Company subsequently appointed Mr. Yeung Kit Lam as an independent non-executive Director and a member of the Audit Committee on 23 April 2015.

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 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 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. Chan Chi Wai, Benny (the chairman of the committee), Mr. Ng Kwok Pong and Mr. Yeung Kit Lam.

The duties of Audit Committee are, among others, to review the Company's half-yearly and annual financial statements and to make recommendations to the Board on appointment and removal of the external auditor.

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 2015 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The members of the remuneration committee of the Company (the "Remuneration Committee") comprise of two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Mr. Chan Chi Wai, Benny and an 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. Chan Chi Wai, Benny and Mr. Ng Kwok Pong. 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.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") comprises of two independent non-executive Directors, namely Mr. Chan Chi Wai, Benny (the chairman of the committee) and Mr. Ng Kwok Pong, 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.

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

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

SHARE OPTION SCHEME *(Continued)*

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

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

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

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

Participants	Number of share options as at 1 January 2015 and as at 30 June 2015	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;

(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.

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

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.

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

Participants	Number of share options as at 1 January 2015	Granted during the Period	Cancelled or lapsed during the Period	Exercised during the Period	Number of share options as at 30 June 2015	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	2,900,000	–	(600,000)	–	2,300,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participants	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Total	24,900,000	–	(2,600,000)	–	22,300,000					

* Retired as an executive director of GSH on 20 May 2014

As at the date of this report, 22,300,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 1.46% of the issued share capital of GSH as at that date.

SUBSCRIPTION AGREEMENT FOR THE ISSUE OF ORDINARY SHARES AND CONVERTIBLE BONDS

Reference is made to an announcement of the Company dated 30 August 2015. On 30 August 2015, the Company entered into a subscription agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe (the "Subscription") at the Hong Kong dollar equivalent of RMB1,500,000,000 (the "Total Consideration") for:

(i) an aggregate of 3,135,509,196 subscription shares that upon the subscription completion will represent approximately 49% of the issued shares of the Company as enlarged by the allotment and issue of the subscription shares; and

(ii) the convertible bonds in the aggregate principal amount of the balance of the Total Consideration after subtracting therefrom the subscription monies for subscription shares, which may be converted into the conversion shares pursuant to the terms and conditions of the convertible bonds.

The Board intends to apply the net proceeds from the Subscription for business development, relocation expenses and general working capital purpose of the Group. Shareholders of the Company and potential investors are advised to read the announcement of the Company dated 30 August 2015 or any relevant subsequent announcements/circular of the Company for more information in this connection.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Reference is made to the announcement of the Company dated 31 March 2015, and the section headed "Update on Remedial Measures – Financial guarantee contracts" in the Management Discussion and Analysis of this report.

During November 2010 to March 2015, certain members of the Group entered into the Supplier Guarantees for the benefit of the Supplier in respect of certain bank borrowings that are discloseable under the Listing Rules. Details of the Supplier Guarantees are as follows:

Date of guarantee	**26/11/2010**	**15/12/2011**	**31/12/2012**	**5/3/2014**	**4/3/2015**
Name of bank	Bank A	Bank A	Bank A	Bank A	Bank A
Guarantors	Certain members of the Group	Certain members of the Group	Certain members of the Group	Certain members of the Group	Certain members of the Group
Guaranteed Amount	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 26/11/2010 to 26/11/2011 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 15/12/2011 to 8/12/2012 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 26/12/2012 to 13/12/2013 and up to a maximum guaranteed amount of RMB3 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 1/1/2014 to 16/12/2014 and up to a maximum guaranteed amount of RMB2.5 billion.	All indebtedness due and owing to Bank A pursuant to any loan agreements or other documents signed by Dajincang between 1/1/2015 to16/4/2015 and up to a maximum guaranteed amount of RMB2.5 billion.
Principal amount outstanding as of the date of this report	Nil	Nil	Nil	RMB1.96 billion	RMB530 million
Date of expiry of the guarantee	Two years from 26/11/2011, i.e. 26/11/2013	Two years from 8/12/2012, i.e. 8/12/2014	Two years from 13/12/2013, i.e. 13/12/2015	Two years from 16/12/2014, i.e. 16/12/2016	Two years from 16/4/2015, i.e. 16/4/2017

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES *(Continued)*

Dajincang is beneficially majority-owned by the labour union of the PRC employees of the Group (the "Labour Union"). The principal business of Dajincang is the purchase of corn kernels from local farmers in Changchun and other areas of Jilin province and their resale to end users in the north-east provinces of the PRC. Dajincang is separately managed from the Group.

From the date of the first entering into of the Supplier Guarantees to the date of this report, none of the Directors nor their respective close associates held any interest in the Dajincang (excluding interests held by any person who is or was a member of the Labour Union, because the interests of each of the more than 5,000 members of the Labour Union are identical and do not differ from member to member), and none of Dajincang nor its close associates held any interest in the Company. Two of the directors of Dajincang are also directors of certain PRC subsidiaries of the Company. They were appointed directors of Dajincang solely in their capacity as members of the Labour Union and their interests in the Labour Union do not differ from those of other members. Accordingly, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Dajincang and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Bank A and its ultimate beneficial owners are third parties independent of the Company and its connected persons. Bank A is a stock exchange listed State majority-owned joint stock company principally engaged in the provision of banking services.

Based on inquiries made by the management of the Company, the first Supplier Guarantee was entered into in 2010 for the purposes of saving financing costs under a programme devised by the Company's PRC management.

As part of its function, Dajincang had to buy corn kernels from local farmers, store them and sell them to users or the local government as strategic reserves. Because the Group was a major customer, it had to utilise large cash resources and drawdown significant loan facilities to buy corn kernels from the Supplier regularly.

In response to requests by Dajincang to shorten credit periods in 2010, the Company's PRC management, who were expecting to incur additional financing costs if the credit periods were so shortened, sought to minimise such costs by offering the Supplier Guarantees to Dajincang's bank lenders.

As the provision of guarantee under the Supplier Guarantees constituted an advance to an entity under Rule 13.13 of the Listing Rules, and since the assets ratio of the guarantee provided by the Group was more than 8% as at 31 December 2014 and the date of this report, the Company's general disclosure obligation under Rule 13.20 of the Listing Rules of the Supplier Guarantees arose.

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

For the six months ended 30 June 2015

	Notes	2015 (Unaudited) *HK$'000*	2014 (Unaudited) *HK$'000*
		Six months ended 30 June	
REVENUE			
Sales of goods	*4*	**1,585,972**	3,642,847
Cost of sales		**(1,755,929)**	(4,133,169)
Gross loss		**(169,957)**	(490,322)
Other income and gains	*4*	**41,510**	334,387
Selling and distribution costs		**(111,181)**	(330,980)
Administrative expenses		**(362,682)**	(361,967)
Other expenses		**(135,461)**	(250,071)
Finance costs	*5*	**(291,048)**	(322,655)
LOSS BEFORE TAX	*6*	**(1,028,819)**	(1,421,608)
Income tax expense	*7*	**(1,749)**	(9,159)
LOSS FOR THE PERIOD		**(1,030,568)**	(1,430,767)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(5,147)**	(65,323)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(1,035,715)**	(1,496,090)

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

For the six months ended 30 June 2015

	Notes	Six months ended 30 June **2015** **(Unaudited)** ***HK$'000***	 2014 (Unaudited) *HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(970,600)**	(1,341,914)
Non-controlling interests		**(59,968)**	(88,853)
		(1,030,568)	(1,430,767)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(975,747)**	(1,400,317)
Non-controlling interests		**(59,968)**	(95,773)
		(1,035,715)	(1,496,090)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**HK29.74 cents**	HK41.13 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 2015

	Notes	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**8,457,174**	8,762,369
Prepaid land lease payments		**686,771**	697,351
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**9,337**	5,907
Goodwill	11	**—**	106,308
Intangible assets		**5,424**	5,424
Deferred tax assets		**968**	968
Total non-current assets		**9,159,674**	9,578,327
CURRENT ASSETS			
Inventories	12	**548,069**	843,829
Trade and bills receivables	13	**322,601**	581,793
Prepayments, deposits and other receivables		**2,145,853**	1,946,818
Due from associates		**15,879**	21,320
Equity investments at fair value through profit or loss		**35,617**	35,617
Pledged deposits		**12,431**	269,909
Cash and cash equivalents		**322,844**	478,780
Total current assets		**3,403,294**	4,178,066
CURRENT LIABILITIES			
Trade and bills payables	14	**1,287,681**	2,001,091
Other payables and accruals		**1,913,488**	1,246,304
Interest-bearing bank borrowings	15	**6,521,382**	6,008,438
Tax payable		**166,918**	182,813
Total current liabilities		**9,889,469**	9,438,646
NET CURRENT LIABILITIES		**(6,486,175)**	(5,260,580)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,673,499**	4,317,747

Interim Condensed Consolidated Statement of Financial Position

30 June 2015

	Notes	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15	**2,068,738**	2,682,488
Deferred tax liabilities		**231,103**	231,365
Deferred income		**144,268**	146,004
Total non-current liabilities		**2,444,109**	3,059,857
Net assets		**229,390**	1,257,890
EQUITY			
Equity attributable to owners of the parent			
Issued capital	16	**326,349**	326,349
Reserves		**(476,933)**	495,957
		(150,584)	822,306
Non-controlling interests		**379,974**	435,584
Total equity		**229,390**	1,257,890

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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 2015	326,349	2,431,853	15,778	429,877	15,677	351,875	1,815,001	(4,564,104)	822,306	435,584	1,257,890
Loss for the period	–	–	–	–	–	–	–	(970,600)	(970,600)	(59,968)	(1,030,568)
Other comprehensive income for the period:											
Exchange realignment	–	–	–	–	–	–	(5,147)	–	(5,147)	–	(5,147)
Total comprehensive loss for the period	–	–	–	–	–	–	(5,147)	(970,600)	(975,747)	(59,968)	(1,035,715)
Acquisition of non-controlling interests	–	–	–	–	2,857	–	–	–	2,857	4,358	7,215
Transfer of share option reserve upon the forfeiture of share options of a subsidiary	–	–	(1,534)	–	–	–	–	1,534	–	–	–
At 30 June 2015 (unaudited)	326,349	2,431,853*	14,244*	429,877*	18,534*	351,875*	1,809,854*	(5,533,170)*	(150,584)	379,974	229,390

* These reserve accounts comprise the debit consolidated reserves of HK$476,933,000 (31 December 2014 (audited): credit of HK$495,957,000) in the condensed consolidated statement of financial position as at 30 June 2015.

	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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,028,819)**	(1,421,608)
Adjustments for:			
Finance costs	*5*	**291,048**	322,655
Bank interest income	*4*	**(12,251)**	(5,665)
Loss on disposal of items of property, plant and equipment	*6*	**–**	4,260
Gain on resumption of land, property, plant and equipment	*4*	**–**	(256,863)
Depreciation	*6*	**286,275**	297,605
Amortisation of prepaid land lease payments	*6*	**10,580**	12,322
Amortisation of intangible assets	*6*	**–**	4
Amortisation of deferred income		**(1,736)**	(4,863)
Reversal of impairment of other receivables	*6*	**–**	(10,778)
Provision for impairment of trade and bills receivables	*6*	**22,355**	118,313
Write-down of inventories to net realisable value	*6*	**43,865**	141,177
Impairment of goodwill	*6*	**106,308**	102,472
Fair value losses/(gains), net:			
— Derivative financial instruments	*6*	**–**	4,800
— Equity investments at fair value through profit or loss	*4*	**–**	(764)
— Bonds	*6*	**–**	327
— Long term receivables	*4*	**–**	(8,169)
		(282,375)	(704,775)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Decrease in inventories	**256,533**	877,567
Decrease in trade and bills receivables	**240,941**	367,358
Increase in prepayments, deposits and other receivables	**(196,000)**	(96,907)
(Decrease)/Increase in trade and bills payables	**(714,563)**	30,924
Increase in other payables and accruals	**661,685**	115,905
Decrease in amounts due from associates	**5,441**	5,923
Cash (used in)/generated from operations	**(28,338)**	595,995
Interest received	**12,251**	5,665
Overseas taxes paid	**(7,177)**	(7,936)
Net cash flows (used in)/generated from operating activities	**(23,264)**	593,724
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(22,239)**	(77,341)
Proceeds from disposal of items of property, plant and equipment	**41,130**	1,321
Proceeds from resumption of land, property, plant and equipment	**–**	344,350
Time deposits with original maturity of more than three months when acquired	**–**	(250,000)
Proceeds from disposal of financial products at fair value through profit or loss	**–**	58,734
Net cash flows generated from investing activities	**18,891**	77,064
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**3,397,500**	3,543,750
Repayment of bank loans	**(3,498,306)**	(4,704,459)
Interest paid	**(291,048)**	(322,655)
Redemption of bonds	**–**	(44,810)
Settlement of derivative financial instruments	**–**	14,221
Net cash flows used in financing activities	**(391,854)**	(1,513,953)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(391,227)**	(843,165)
Cash and cash equivalents at beginning of period	**478,780**	1,443,993
Effect of foreign exchange rate changes, net	**(17,187)**	(19,739)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**65,366**	581,089
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**322,844**	815,943
Time deposits with original maturity of less than three months when acquired, pledged as security for issuance of bills payable	**12,431**	15,146
Non-pledged time deposits with original maturity of more than three months when acquired	**(269,909)**	(250,000)
Cash and cash equivalents as stated in the statement of cash flows	**65,366**	581,089

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 were authorized for issue in accordance with a resolution of the board of directors of the Company on 31 August 2015.

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 2015 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 2014.

The Group recorded a consolidated net loss of HK$1,031 million for the six months ended 30 June 2015 (2014: HK$1,431 million) and as at that date, the Group recorded net current liabilities of HK$6,486 million (31 December 2014: HK$5,261 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

Pursuant to a Company's announcement 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 developing 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（長春土地儲備中心）. Formal contracts have been signed by the parties on the first stage relocation whereby compensation in cash will be settled as follows: (i) RMB202 million (equivalent to HK$256 million) upon the resumption of the parcel of land; and (ii) RMB806 million (equivalent to HK$1,020 million) upon the disposal of the related buildings and fixtures. For the second stage relocation, the Directors have been actively negotiating with the Changchun Land Reserve Centre to agree on the respective compensation. Up to the date of this report, preliminary understanding agreements have been reached by the parties whereby the compensation in cash will be settled with reference to the depreciated replacement cost of the land, buildings, machineries and fixtures amounting to RMB2.45 billion in aggregate as of 31 July 2014 as appraised by an independent valuer appointed by the Land Reserve Centre, which was ratified by the Changchun Land Reserve Centre. It is expected that formal land resumption compensation agreements will be entered into between the Group and Changchun Land Reserve Centre after the finalisation of terms and conditions between the parties, and if required under the Listing Rules, to be subject to approval by shareholders of the Company.

For the first stage relocation, the Group has received cash compensation of RMB608 million, and the management expects the remaining compensation of RMB400 million will be received from the government by end of year 2015. For the second stage relocation, the management expects that, subject to and conditional upon the entering into and completion of the formal agreements, the Directors based on the experience of the first stage relocation and the current discussion status with the relevant party, anticipate that the instalment compensation will be received from the government by end of year 2015 and 2016.

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

2.1 Basis of preparation *(Continued)*

(3) Subscription agreement for the issue of ordinary shares and convertible bonds

Reference is made to an announcement of the Company dated 30 August 2015. On 30 August 2015, the Company entered into a subscription agreement with Modern Agricultural Industry Investment Limited (the "Subscriber") pursuant to which the Subscriber has conditionally agreed to subscribe (the "Subscription") at the Hong Kong dollar equivalent of RMB1,500,000,000 (the "Total Consideration") for:

(i) an aggregate of 3,135,509,196 subscription shares that upon the subscription completion will represent approximately 49% of the issued shares of the Company as enlarged by the allotment and issue of the subscription shares; and

(ii) the convertible bonds in the aggregate principal amount of the balance of the Total Consideration after subtracting therefrom the subscription monies for subscription shares, which may be converted into the conversion shares pursuant to the terms and conditions of the convertible bonds.

The Board intends to apply the net proceeds from the Subscription for business development, relocation expenses and general working capital purpose of the Group. Shareholders of the Company and potential investors are advised to read the announcement of the Company dated 30 August 2015 or any relevant subsequent announcements/circular of the Company for more information in this connection.

(4) 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 2015, 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 lands, buildings, machineries and fixtures erected thereon at Lu Yuan District; (iii) the receipt of subscription proceeds from the Subscription upon its completion; and (iv) 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.

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

2.1 Basis of preparation *(Continued)*

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 or to be 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, respectively.

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 2014. The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Amendments to HKAS 19 (2011)	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs*
Annual Improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs*

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.

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

2.2 Significant accounting policies *(Continued)*

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*[3]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	*Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for first HKFRSs financial statements and for annual periods beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. For the six months ended 30 June 2015, 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, corporate income and 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. Another basis on which the Group reports its segment information is by geographical region.

3. SEGMENT INFORMATION *(Continued)*

(a) Operating segment information

	Amino acids		Polyol chemicals		Corn Sweeteners		Eliminations		Total	
	Six months ended 30 June									
	2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000	**2015 (Unaudited) HK$'000**	2014 (Unaudited) HK$'000
Revenue:										
External customers	**609,429**	2,017,849	**45,467**	150,730	**931,076**	1,474,268	**–**	–	**1,585,972**	3,642,847
Intersegment	**33,604**	74,636	**–**	341,621	**–**	25,034	**(33,604)**	(441,291)	**–**	–
Total revenue	**643,033**	2,092,485	**45,467**	492,351	**931,076**	1,499,302	**(33,604)**	(441,291)	**1,585,972**	3,642,847
Segment results	**(394,430)**	(638,229)	**(125,667)**	(265,512)	**(116,793)**	(190,049)	**–**	–	**(636,890)**	(1,093,790)
Bank interest income									**12,251**	5,665
Unallocated revenue									**–**	39
Unallocated expenses									**(113,132)**	(10,867)
Finance costs									**(291,048)**	(322,655)
Loss before tax									**(1,028,819)**	(1,421,608)
Income tax expense									**(1,749)**	(9,159)
Loss for the period									**(1,030,568)**	(1,430,767)

3. SEGMENT INFORMATION *(Continued)*

(a) Operating segment information *(Continued)*

	Amino acids		Polyol chemicals		Corn Sweetener		Total	
	30 June 2015	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014
	(Unaudited) *HK$'000*	(Audited) *HK$'000*	**(Unaudited) *HK$'000***	(Audited) *HK$'000*	**(Unaudited) *HK$'000***	(Audited) *HK$'000*	**(Unaudited) *HK$'000***	(Audited) *HK$'000*
Segment assets	**10,829,086**	9,986,414	**3,153,629**	3,548,644	**2,469,338**	2,756,825	**16,452,053**	16,291,883
Reconciliation:								
Elimination of intersegment receivables							**(4,224,360)**	(3,284,535)
Cash and cash equivalents							**322,844**	478,780
Pledged deposits							**12,431**	269,909
Corporate and other unallocated assets							**–**	356
Total assets							**12,562,968**	13,756,393
Segment liabilities	**2,549,927**	2,416,560	**4,175,168**	3,447,965	**1,234,717**	1,218,382	**7,959,812**	7,082,907
Reconciliation:								
Elimination of intersegment payables							**(4,224,360)**	(3,284,535)
Interest-bearing bank and other borrowings							**8,590,120**	8,690,926
Corporate and unallocated liabilities							**8,006**	9,205
Total liabilities							**12,333,578**	12,498,503

(b) Geographical information

	Mainland China		Regions other than Mainland China		Total	
	Six months ended 30 June					
	2015 (Unaudited) *HK$'000*	2014 (Unaudited) *HK$'000*	**2015 (Unaudited) *HK$'000***	2014 (Unaudited) *HK$'000*	**2015 (Unaudited) *HK$'000***	2014 (Unaudited) *HK$'000*
Revenue:						
External customers	**1,342,138**	2,851,426	**243,834**	791,421	**1,585,972**	3,642,847

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 gains is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**1,585,972**	3,642,847
Other income		
Bank interest income	**12,251**	5,665
Net profit arising from the sale of packing materials and by-products	**2,088**	33,363
Government grants*	**15,779**	13,408
Others	**11,383**	6,211
	41,501	58,647
Gains		
Exchange gain	**9**	9,944
Gain on resumption of land, property, plant and equipment	**—**	256,863
Fair value gains, net:		
— Equity investments at fair value through profit or loss	**—**	764
— Long term receivables	**—**	8,169
	41,510	334,387

* Government grants represented the rewards to certain subsidiaries located in Mainland China for environmental protection of land owned by these subsidiaries and energy efficiency rebates.

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**286,770**	313,355
Finance costs for discounted bills receivable	**4,278**	8,286
Interest on bonds	**—**	1,569
Less: Interest capitalised	**—**	(555)
	291,048	322,655

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Raw materials and consumables used	**1,388,560**	3,031,042
Legal and compensation expenses	**8,151**	18,131
Depreciation	**286,275**	297,605
Loss on disposal of items of property, plant and equipment	**—**	4,260
Amortisation of prepaid land lease payments	**10,580**	12,322
Amortisation of intangible assets	**—**	4
Fair value losses/(gains), net:		
— Derivative financial instruments	**—**	4,800
— Equity investments at fair value through profit or loss	**—**	(764)
— Bonds	**—**	327
— Long term receivables	**—**	(8,169)
Provision for impairment of trade and bills receivables	**22,355**	118,313
Write-down of inventories to net realisable value#	**43,865**	141,177
Reversal of impairment of other receivables	**—**	(10,778)
Impairment of goodwill	**106,308**	102,472

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax — Hong Kong	**—**	—
Current tax — Mainland China	**1,749**	7,693
Deferred Income tax	**—**	1,466
Tax charge for the period	**1,749**	9,159

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 2015 (2014: 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 and enjoys a preferential income tax rate of 15% during that period.

8. DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

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

The calculation of the basic loss per share for the six months ended 30 June 2015 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 (2014: 3,262,868,616).

During the six months ended 30 June 2015 and 2014, as anti-dilutive effect is resulted following the losses incurred by the Group, no adjustment has been made to the basic loss per share amounts.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
At 1 January		**8,762,369**	9,527,647
Additions		**22,239**	239,174
Exchange realignment		**(29)**	(115,442)
Disposals		**(41,130)**	(29,778)
Depreciation	6	**(286,275)**	(596,599)
Impairment		**—**	(262,633)
At 30 June 2015/31 December 2014		**8,457,174**	8,762,369

Included in the Group's property, plant and equipment as at 30 June 2015, were items of HK$1,681,994,000 (31 December 2014: HK$1,700,189,000) 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.

11. GOODWILL

	Note	**30 June 2015 (Unaudited) *HK$'000***	31 December 2014 (Audited) *HK$'000*
At 1 January 2015/1 January 2014		**106,308**	344,553
Impairment during the period/year	6	**(106,308)**	(238,245)
At 30 June 2015/31 December 2014		**—**	106,308

As at 30 June 2015, the directors of the Company are of view that, based on their assessment on the business in Lu Yuan District, impairment of goodwill amounted to HK$106,308,000 was provided.

Further details of the impairment during the year ended 31 December 2014, please refer to the 2014 Annual Report.

12. INVENTORIES

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Raw materials	124,863	202,672
Finished goods	423,206	641,157
	548,069	843,829

As at 30 June 2015, certain inventories were written down to net realisable value which amounted to approximately HK$43,865,000 (31 December 2014: HK$596,224,000).

13. TRADE AND BILLS RECEIVABLES

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Trade receivables	725,245	908,780
Bills receivable	25,524	78,826
Impairment	(428,168)	(405,813)
	322,601	581,793

The Group normally allows credit terms of 90 days to established customers. 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 aging 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 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Within 1 month	143,038	338,134
1 to 2 months	52,376	109,693
2 to 3 months	15,792	30,395
3 to 6 months	79,587	101,356
Over 6 months	31,808	2,215
	322,601	581,793

13. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	30 June 2015 (Unaudited) *HK$'000*	31 December 2014 (Audited) *HK$'000*
At 1 January	**405,813**	156,720
Impairment losses recognised	**35,469**	266,520
Impairment losses reversed	**(13,114)**	(502)
Amount written off as uncollectible	**—**	(15,482)
Exchange realignment	**—**	(1,443)
At 30 June 2015/31 December 2014	**428,168**	405,813

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

	30 June 2015 (Unaudited) *HK$'000*	31 December 2014 (Audited) *HK$'000*
Neither past due nor impaired	**211,206**	478,223
Less than 1 month past due	**19,778**	57,775
1 to 3 months past due	**47,809**	45,795
Over 3 months past due	**43,808**	—
	322,601	581,793

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.

14. TRADE AND BILLS PAYABLES

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

	30 June 2015 (Unaudited) *HK$'000*	31 December 2014 (Audited) *HK$'000*
Within 1 month	**141,727**	829,797
1 to 2 months	**281,084**	55,997
2 to 3 months	**26,664**	15,480
Over 3 months	**838,206**	1,099,817
	1,287,681	2,001,091

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 2015			31 December 2014		
	Effective interest rate %	**Maturity**	**(Unaudited) *HK$'000***	Effective interest rate %	Maturity	(Audited) *HK$'000*
Current						
Bank loans – secured	**5.35**	**2015-2016**	**500,000**	5.88-8.0	2015	283,750
Bank loans – unsecured	**5.61-7.80/ HIBOR+1.5**	**On demand/ 2015-2016**	**5,995,219**	1.7-7.80/ HIBOR+1.5	On demand/ 2015	5,136,250
Long term bank loans repayable on demand – unsecured	**HIBOR+1.5/ Higher (6-months HIBOR+3.3%, bank funding cost+1.5%)**	**On demand**	**26,163**	HIBOR+1.5/ Higher (6-months HIBOR+3.3%, bank funding cost+1.5%)	On demand	88,438
Entrusted loans – secured			**–**	9.00	2015	500,000
			6,521,382			6,008,438
Non-current						
Bank loans – secured	**8.0**	**2016-2017**	**206,250**	8.0	2016-2017	212,500
Bank loans – unsecured	**6.55**	**2016-2020**	**1,855,000**	6.150-8.0	2016-2020	2,462,500
Other loans – unsecured		**2018-2019**	**7,488**		2018-2019	7,488
			2,068,738			2,682,488
			8,590,120			8,690,926

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

As at 30 June 2015, certain of the Group's bank borrowings were pledged by trade and bills receivable amounting to HK$8,927,000 (31 December 2014: HK$ Nil).

As at 30 June 2015, property, plant and equipment of the Group amounting to HK$2,810,882 (31 December 2014: HK$808,577,000) were pledged to secure banking facilities granted to the Group.

As at 30 June 2015, prepaid land lease payments of HK$236,531,000 (31 December 2014: HK$320,134,625) were pledged to secure bank loans.

As at 30 June 2015, the Group's bank borrowings were guaranteed by the Company, certain subsidiaries of the Group and independent third parties with amounts of approximately HK$6,531,162,500 (31 December 2014: HK$6,533,437,500), approximately HK$849,015,000 (31 December 2014: HK$881,250,000), and approximately HK$206,204,000 (31 December 2014: HK$206,250,000) respectively.

As at 30 June 2015, the Group's bank borrowings of HK$500,000,000 (31 December 2014: other loan of HK$500,000,000) was pledged by relocation compensation receivable from the local government amounting to HK$312,500,000 (31 December 2014: HK$662,500,000).

16. ISSUED CAPITAL

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

	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Authorised:		
10,000,000,000 (31 December 2014: 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 2014: 3,263,489,164) ordinary shares of HK$0.10 each	**326,349**	326,349

17. CONTINGENT LIABILITIES

Patent infringement

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. On 10 September 2014, the Group received judgment from the District Court of The Hague, the Netherlands which has rejected all the claims made by the Plaintiffs.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiff are rejected and the Plaintiffs are ordered to pay the legal costs of the Relevant Group Members which payment is immediately enforceable. Further, the Court has also allowed part of the counterclaim made by the Relevant Group Members. The Plaintiffs timely appealed the decision by means of a writ of summons dated 9 December 2014 and the Relevant Group Members filed its response and cross appeal on 24 February 2015. As at 30 June 2015, the infringement is still in the proceedings.

17. CONTINGENT LIABILITIES *(Continued)*

Litigation relating to the delay of payment to suppliers in Mainland China

During the year ended 31 December 2014, due to the short of working capital, the Group delayed to settle the trade payables to suppliers, and several subsidiaries in Mainland China have been involved in litigations in Mainland China initiated by 50 suppliers related to overdue trade payables. The total alleged amount of litigation is approximate HK$49,000,000. Up to the date of this report, majority of litigations are already concluded by the court or settled, the litigation with the alleged amount of HK$1,380,000 is pending for the judgment. Since the Group already recorded all these trades payable in the financial statements as at 31 December 2014, the directors are of the view that the litigation has no significant impact on the Group's financial statements for the year ended 31 December 2014, as well as the Group's financial statements for the six months ended 30 June 2015.

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.

17. CONTINGENT LIABILITIES *(Continued)*

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

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.

As at the date 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 was scheduled to take place on 10 December 2014.

17. CONTINGENT LIABILITIES *(Continued)*

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.

In addition, as disclosed in an announcement of the Company dated 7 August 2015, the Relevant Group Members recently received, through their Netherlands legal advisers, a demand from the legal advisers of the Plaintiff for damages of over EUR2.2 million in respect of the infringement of EP '710, EP '712 and EP '912 (the "Claimed Damages") and for payment of the cost of the independent auditor as mentioned in the announcement of the Company dated 25 March 2014 at around EUR260,000 to EUR290,000. After seeking legal advice from the Netherlands legal advisers, the Relevant Group Members believe that they have grounds to challenge the basis of calculation of the Claimed Damages. Therefore, the Claimed Damages will not be settled by the Relevant Group Members at this stage. As such, it is expected that the Plaintiffs will initiate damages assessment proceedings for assessment of the Claimed Damages. The Relevant Group Members have also, through its Netherlands legal advisers, asked the Plaintiff to provide a detailed cost assessment of the independent auditor as mentioned above.

Financial guarantee contracts

During November 2010 to March 2015, the Company and several subsidiaries established in Mainland China entered into financial guarantee contracts with Bank of China ("BOC") and Agricultural Bank of China ("ABC") for the benefit of Dajincang in respect of its certain bank borrowings. The maximum guaranteed amounts were RMB3 billion at 31 December 2010, 2011, 2012, RMB3.35 billion as at 31 December 2013, and RMB2.85 billion as at 31 December 2014 and 30 June 2015. These financial guarantee contracts were not recognised in the Group's financial statements as at 30 June 2015 and in previous years. Please refer to the Company's announcement dated 31 March 2015 for details of the financial guarantee contracts.

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

18. CAPITAL COMMITMENTS

At as 30 June 2015, the Group had capital commitments as follows:

	30 June 2015 (Unaudited) *HK$'000*	31 December 2014 (Audited) *HK$'000*
Contracted, but provided for:		
Land premiums and leasehold buildings	**365,984**	200,775
Plant and machinery	**160,690**	102,241
	526,674	303,016

19. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Due from associates	**15,879**	21,320
Due from/(to) a related party	**871**	(48,907)

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

(b) Transactions with Dajincang

Dajincang, one of the major suppliers of the Group, is a company beneficially owned by the staff union of the Group's PRC employees. Dajincang has one director in common with the Group's subsidiaries located in Mainland China. Thus Dajincang is deemed as a related party to the Group. The total purchases from Dajincang for the period ended 30 June 2015 amounted to HK$131 million (30 June 2014: HK$814 million). The transactions with Dajincang were made at prices mutually agreed between the parties.

As at 30 June 2015, the other receivables due from and prepayment made to Dajincang amounted to approximately HK$809 million (31 December 2014: HK$793 million).

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Short term employee benefits	**8,968**	10,025
Post-employment benefits	**42**	70
	9,010	10,095

20. FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2015 (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	**—**	**322,601**	**322,601**
Financial assets included in prepayments, deposits and other receivables	**—**	**2,145,853**	**2,145,853**
Due from associates	**—**	**15,879**	**15,879**
Equity investments at fair value through profit or loss	**35,617**	**—**	**35,617**
Pledged deposits	**—**	**12,431**	**12,431**
Cash and cash equivalents	**—**	**322,844**	**322,844**
Total	**35,617**	**2,819,608**	**2,855,225**

31 December 2014 (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	—	581,793	581,793
Financial assets included in prepayments, deposits and other receivables	—	1,033,180	1,033,180
Due from associates	—	21,320	21,320
Equity investments at fair value through profit or loss	35,617	—	35,617
Pledged deposits	—	269,909	269,909
Cash and cash equivalents	—	478,780	478,780
Total	35,617	2,384,982	2,420,599

20. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

30 June 2015 (Unaudited)

Financial liabilities	**Financial liabilities at amortised cost** *HK$'000*	**Total** *HK$'000*
Trade and bills payables	**1,287,681**	**1,287,681**
Financial liabilities included in other payables and accruals	**1,913,488**	**1,913,488**
Interest-bearing bank and other borrowings	**8,590,120**	**8,590,120**
Total	**11,791,289**	**11,791,289**

31 December 2014 (Audited)

Financial liabilities	Financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Trade and bills payables	2,001,091	2,001,091
Financial liabilities included in other payables and accruals	1,065,290	1,065,290
Interest-bearing bank and other borrowings	8,690,926	8,690,926
Total	11,757,307	11,757,307

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*	**30 June 2015 (Unaudited)** ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Financial assets				
Equity investment at fair value through profit or loss	**35,617**	35,617	**35,617**	35,617

	Carrying amounts		Fair values	
	30 June 2015 (Unaudited) ***HK$'000***	31 December 2014 (Audited) *HK$'000*	**30 June 2015 (Unaudited)** ***HK$'000***	31 December 2014 (Audited) *HK$'000*
Financial liabilities				
Interest-bearing bank and other borrowings	**8,590,120**	8,690,926	**8,590,120**	8,690,926

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.

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:

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

The fair values of interest-bearing bank and other borrowings 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 2015 was assessed to be insignificant.

The fair value of equity investments at fair value through profit or loss has been calculated based on quoted market prices.

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

Assets measured at fair values:

As at 30 June 2015 (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***
Equity investments at fair value through profit or loss	**35,617**	**—**	**—**	**35,617**

As at 31 December 2014 (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*
Equity investments at fair value through profit or loss	35,617	—	—	35,617

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

Liabilities for which fair values are disclosed:

As at 30 June 2015 (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	**—**	**8,590,120**	**—**	**8,590,120**

As at 31 December 2014 (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	—	8,690,926	—	8,690,926

22. LITIGATIONS

As at the date 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.

22. LITIGATIONS *(Continued)*

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

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.

As at the date 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 was scheduled to take place on 10 December 2014.

22. LITIGATIONS *(Continued)*

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.

In addition, as disclosed in an announcement of the Company dated 7 August 2015, the Relevant Group Members recently received, through their Netherlands legal advisers, a demand from the legal advisers of the Plaintiff for damages of over EUR2.2 million in respect of the infringement of EP '710, EP '712 and EP '912 (the "Claimed Damages") and for payment of the cost of the independent auditor as mentioned in the announcement of the Company dated 25 March 2014 at around EUR260,000 to EUR290,000. After seeking legal advice from the Netherlands legal advisers, the Relevant Group Members believe that they have grounds to challenge the basis of calculation of the Claimed Damages. Therefore, the Claimed Damages will not be settled by the Relevant Group Members at this stage. As such, it is expected that the Plaintiffs will initiate damages assessment proceedings for assessment of the Claimed Damages. The Relevant Group Members have also, through its Netherlands legal advisers, asked the Plaintiff to provide a detailed cost assessment of the independent auditor as mentioned above.

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.

22. LITIGATIONS *(Continued)*

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

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. On 10 September 2014, the Group received judgment from the District Court of The Hague, the Netherlands which has rejected all the claims made by the Plaintiffs.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiff are rejected and the Plaintiffs are ordered to pay the legal costs of the Relevant Group Members which payment is immediately enforceable. Further, the Court has also allowed part of the counterclaim made by the Relevant Group Members. The Plaintiffs timely appealed the decision by means of a writ of summons dated 9 December 2014 and the Relevant Group Members filed its response and cross appeal on 24 February 2015. As at 30 June 2015, the infringement is still in the proceedings.

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 2015.

23. SUBSCRIPTION AGREEMENT FOR THE ISSUE OF ORDINARY SHARES AND CONVERTIBLE BONDS

Reference is made to an announcement of the Company dated 30 August 2015. On 30 August 2015, the Company entered into a subscription agreement with Modern Agricultural Industry Investment Limited (the "Subscriber") pursuant to which the Subscriber has conditionally agreed to subscribe (the "Subscription") at the Hong Kong dollar equivalent of RMB1,500,000,000 (the "Total Consideration") for:

(i) an aggregate of 3,135,509,196 subscription shares that upon the subscription completion will represent approximately 49% of the issued shares of the Company as enlarged by the allotment and issue of the subscription shares; and

(ii) the convertible bonds in the aggregate principal amount of the balance of the Total Consideration after subtracting therefrom the subscription monies for subscription shares, which may be converted into the conversion shares pursuant to the terms and conditions of the convertible bonds.

The Board intends to apply the net proceeds from the Subscription for business development, relocation expenses and general working capital purpose of the Group. Shareholders of the Company and potential investors are advised to read the announcement of the Company dated 30 August 2015 or any relevant subsequent announcements/circular of the Company for more information in this connection.