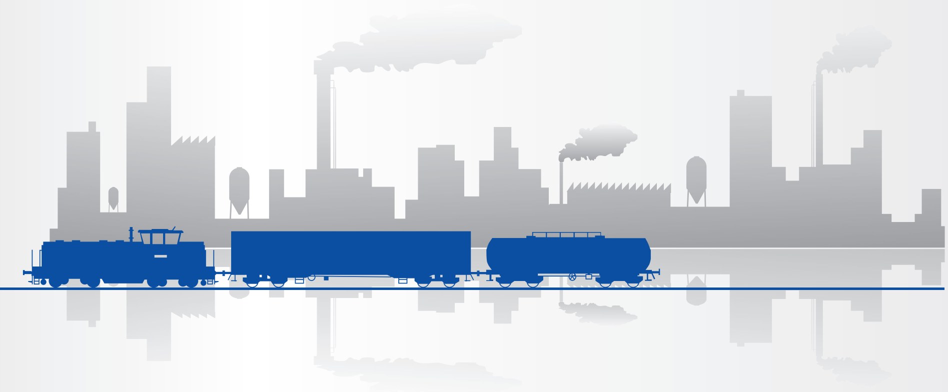
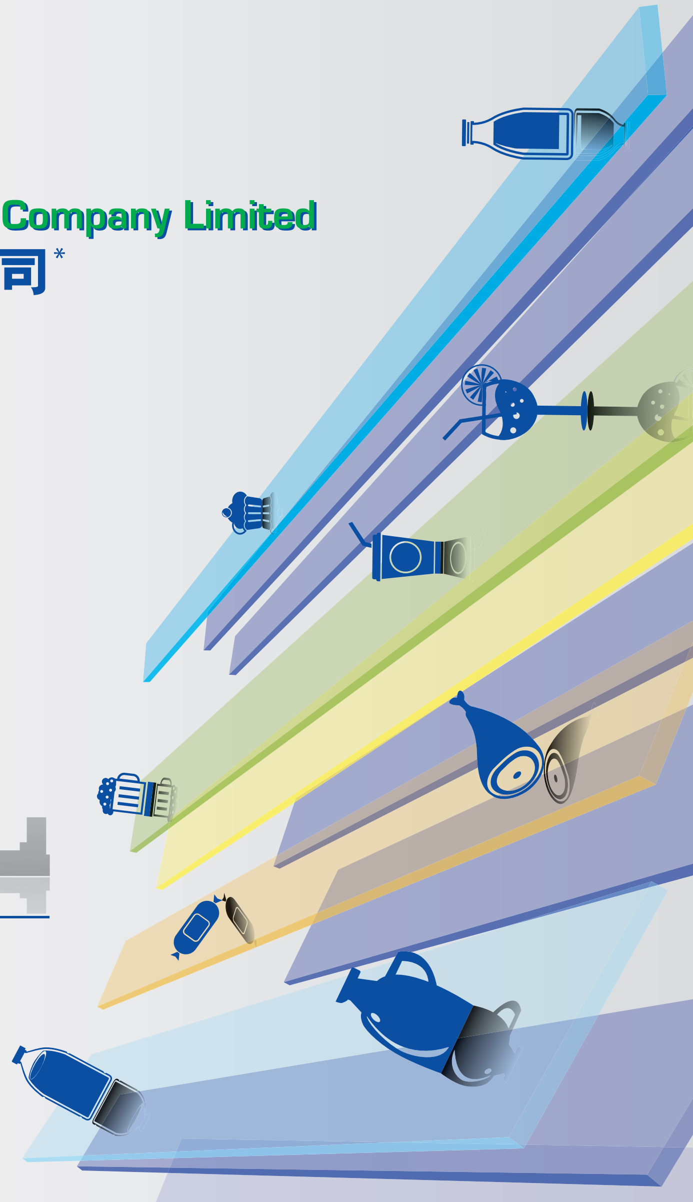
GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code : 00809





INTERIM REPORT 2016

* For identification purpose only

Contents

Financial Highlights

	Unaudited six months ended 30 June		
	2016 (HK$ million)	2015 (HK$ million) (restated)	Change
Operating results			
Revenue	**2,062.3**	1,586.0	30.0%
Gross profit/(loss)	**83.9**	(170.0)	N/A
Net loss	**(599.5)**	(1,027.0)	N/A
Basic loss per share (HK cents)	**(8.96)**	(29.63)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A

Corporate Information

BOARD OF DIRECTORS

Executive directors
Ms. Wang Qiu *(Chairman)*
Mr. Wang Jian
Mr. Li Shuguang
Ms. Liu Fang *(retired on 6 June 2016)*

Non-executive directors
Mr. Qiu Zhuang
Mr. Xing Lizhu

Independent non-executive directors
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam
Ms. Chiu Lai Ling, Shirley
(appointed on 16 March 2016)

COMPANY SECRETARY

Mr. Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITOR

World Link CPA Limited
5th Floor
Far East Consortium Building
121 Des Voeux Road 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
Cricket Square
PO Box 1093, Boundary Hall
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 period under review, the Group's new management endeavoured to improve business operations, management capability and financial position. With the introduction of a more organised and modern management system, the team has enhanced corporate governance and business management efficiency. All these efforts have started to take effects during the period under review — the Group's revenue increased significantly, with a notable decrease in loss compared with the corresponding period last year. The Company's financial position was also improved as a result of new capital injection and reduced interest expenses.

During the period, overcapacity continued in the global lysine market. Demand from the livestock industry such as poultry and swine husbandry, as well as the price of soybean meal caused fluctuations in lysine prices. After a series of intense market consolidation, instead of the previous irrational cut-throat price competition to boost sales volume, lysine manufacturers have gradually adopted more sensible operation strategies. However, more time is still needed for the lysine market to return to equilibrium. As lysine price could be affected by related products, continued short term volatility is expected.

The Group's lysine production lines have been under normal operation since the resumption of production in November 2015. In order to response flexibly to market changes, the Group plans its production according to demand so as to minimise inventory. As such, the facility utilisation rate remained at around 50% during the period. Benefiting from the cost savings as a result of the facility upgrade last year, the amino acids segment turned around with a gross profit of approximately HK$115,400,000. Export sales of the Group's lysine and other amine acid products witnessed significant increase during the period, generating a revenue of approximately HK$320,500,000, representing 31% of the segment revenue.

Benefiting from the corn subsidies by the provincial government, the Group's corn starch segment shown signs of improvement compared with the second half of last year. However, the prices of other corn refined products remained weak, putting the upstream business under pressure. Dampened by the sluggish market, the upstream products recorded a gross loss of HK$71,500,000 during the period.

The drop in domestic sugar production volume stimulated the price of domestic sugar, supporting the growth of the sweeteners' prices. Yet the Group's major sweeteners production lines were not within the corn subsidisation regions, the production cost of sweeteners was put under pressure. In addition, operation has been suspended for most of the time during the period in the Group's Jinzhou production site, leading to the drop in revenue of the sweeteners segment during the period. Nevertheless, the Group enhanced its operation efficiency through refined management, focused development of high end customers, continued research and development for high value-added products, and active customer relationship management. As a result, gross profit margin of the sweetener segment rose to 14%, with a gross profit of approximately HK$40,000,000.

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

During the period under review, the Group actively proceeded with the works in relation to the land disposal in Lu Yuan District, Changchun, with the potential buyer, and at the same time, actively push ahead the relocation of the Changchun facilities. On 21 June 2016, the extraordinary general meetings of the Company and Global Sweeteners Holdings Limited were held to approve the relevant property disposal agreements and asset disposal agreements. All the resolutions proposed were passed by way of poll. While the completion of the transaction is subject to the fulfilment of remaining conditions listed in the agreements, as at the date of this report, the Group is in the process of finalising the details of individual contracts and the disposals have not been completed.

OUTLOOK

According to the government work report delivered by the premier of the State Council of the PRC in March 2016, the state will introduce reforms regarding the supply side, with the aim to relieve supply-side constraints to facilitate economic development ("Reform of the Supply Side", (供給側改革)). With respect to the corn industry, on 19 June 2016, in the official document "Opinion on the implementation of the establishment of subsidy programme to corn producers" (關於建立玉米生產者補貼制度的實施意見), the PRC government announced the abolition of the state procurement of corn in Heilongjiang Province, Jilin Province, Liaoning Province and the Inner Mongolia Autonomous Region, with the plan of granting direct subsidies to farmers in the upcoming harvest season. The direct subsidies policy could help restore the pricing mechanism of corn back to market, relieving the stress of corn refinery manufacturers and gradually bringing stability to the market. The industry expects that positive effects subsequent to the Reform of the Supply Side would take time to see the effect, the impact on corn refinery manufacturers is thus expected to realised next year. While consolidation of the downstream lysine market will continue, volatility in the lysine market is expected in the short run. Fortunately, industry players have learnt from past experience, and abandoned the market penetration with low price. It is believed that the cut-throat competition in the past would gradually disappear.

Under such market conditions, Global Bio-chem Technology Group will continue to focuse on maintaining customer relationships and leveraging on its well-established sales network to maintain satisfactory sales volume. Driven by demand, the Group continues its strategy to plan production based on sales orders to ensure flexible operation in response to market changes. Meanwhile, the Group focused on capacity optimisation and costs control. Leveraging on the advantages and synergistic effects from the controlling shareholder, the Group's management team will strive to further enhance operation efficiency to improve the Group's performance.

We extend our heartfelt thanks to all of our staff for their dedication to the Group, and to the banks, business partners and shareholders for their trust and support over the years. We will continue to strive to enhance the Company's value and generate greater returns to our shareholders.

Chief Executive Officer
Kong Zhanpeng

30 August 2016

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, amino acids, polyol chemicals and corn sweeteners. The upstream corn refinery segment serves as a feedstock which break down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products.

BUSINESS REVIEW

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

Global corn production reached 972 million metric tonnes ("MT") in 2015/16. International corn price dropped to 365 US cents per bushel (equivalent to RMB956 per MT) (30 June 2015: 380 US cents per bushel) by the end of June of 2016. In the PRC, corn harvest in 2015/16 increased slightly to about 225 million MT (2014/15: approximately 215 million MT). Despite the PRC government's effort in protecting local farmers and stabilising domestic corn price, weak market sentiment has led to sluggish demand — pushing down the market price of corn kernels to approximately RMB1,846 per MT by the end of June of 2016 (end of June of 2015: RMB2,333 per MT).

The PRC agricultural policy is under reform. The pilot program of direct subsidies to farmers in the PRC for certain agricultural products to compensate the discrepancy between the floor price and the prevailing market price was launched in early 2015. Such policy aimed to restore price mechanism of agricultural products to market approach. The State Government has expressed the intention to apply the same policies to domestic corn in its latest official documents subsequent to the finalisation of its thirteenth five-year plan early this year. A subsequent document "Opinion on the implementation of the establishment of subsidy programme to corn producers"(關於建立玉米生產者補貼制度的實施意見) was released in 19 June 2016. This document confirms the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and the Inner Mongolia Autonomous Region. It is expected that this will bring stability to the purchase price of corn in the PRC.

Despite the continuous economic stimuli of the PRC government, the pace of economic growth in China remained slow. Moreover, more time is expected for the market to digest the excess capacity in the corn refinery industry. Benefiting from the provincial corn procurement subsidies in Jilin Province, the performance of the Group's corn starch segment has shown signs of improvement during the six months ended 30 June 2016 ("Period") as compared to the second half of last year. However, the prices of other corn refined products as the by-products of the upstream operation remained weak, dragging down the overall selling prices of the upstream products. Consequently, the market selling prices of the Group's upstream products were put under pressure. The price of upstream products remained weak during the Period at approximately RMB1,870 per MT (30 June 2015: RMB2,604 per MT).

With respect to the Group's lysine business, economic slowdown in China caused enormous strain on the market's ability to absorb excessive supply. In the long run, more time is needed for the lysine market to gradually adjust back to equilibrium, while short-term volatility in lysine prices is expected as a result of the fluctuations of the prices of related products such as meat and soybean. However, taking advantage of the cost savings resulting from the facility upgrade last year, the management has maintained flexible operation in order to optimise facility utilisation in response to market changes during the Period. As a result, the Group's lysine segment has recorded gross profit for the Period as compared to gross loss for the corresponding period last year.

The operating environment for the Group's polyol chemical business continued to be challenging during the Period. The Group's research and development team is proactively looking at the possibility to restructure its product portfolio to include high value-added products in response to changing market needs. The management will continue to observe the market and take prudent approach before resuming its polyol chemical business.

With respect to the corn sweeteners market, the domestic production of cane sugar (a substitute of corn sweeteners) dropped from 10.8 million MT to 9.0 million MT during the harvest for the year 2015/16. Domestic sugar price rose to RMB5,826 per MT (30 June 2015: RMB5,373 per MT) by the end of the Period. Similar trend was found in the international sugar price which rose from 12.34 US cents per pound (equivalent to RMB1,665 per MT) by the end of June 2015 to 20.15 US cents per pound (equivalent to RMB2,954 per MT) by the end of June 2016. The increasing cost of cane sugar in contrast with the decreasing cost of corn kernels further widened the cost advantage of corn sweeteners. Customers are increasingly attracted to substitute cane sugar with corn sweeteners under such circumstances.

As disclosed in the 2015 Annual Report, in order to, among others, improve its liquidity and to meet its ongoing working capital requirements, strengthen its capital position and equip the Group with the financial flexibility to achieve the Group's business objectives, and to bring in a controlling shareholder whose parent group has a strong background which will provide support to the Group and potentially lower the financing costs of the Group, the completion of subscription of shares and convertible bonds of the Company by Modern Agricultural Industry Investment Limited ("Modern Agricultural") took place in October 2015. Modern Agricultural became a controlling shareholder (as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company holding approximately 49% of the issued shares of the Company, and a new board of Directors was formed. New members were also appointed to the management of the Group. The introduction and participation of the resourceful shareholder has synergistic effects in respect of strong financial support, enhanced relationship with bankers, favourable government policies and management capabilities.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2015 (the "2015 Financial Statements") had been subject to a disclaimer of opinion of the auditor of the Company on the basis as set out in the paragraph headed "Basis for disclaimer of opinion" in the independent auditor's report in the annual report for the year ended 31 December 2015 (the "2015 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 "Update on Remedial Measures" in the 2015 Annual Report, the management of the Company wishes to update on certain remedial measures taken or to be taken by the management during the Period.

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

1. Impairment of non-current assets

As detailed in the 2015 Annual Report, an impairment assessment on certain property, plant and equipment of the Group at 31 December 2015 was performed by the directors based on the market sentiment. However, the auditor was unable to obtain sufficient appropriate audit evidence to assess the adequacy and appropriateness of the directors' impairment assessment at 31 December 2015.

As disclosed in the Company's circular dated 3 June 2016, subject to the completion of the disposal, the Group will dispose certain pieces of land situated in Lu Yuan District of Changchun, and buildings erected thereon to 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) ("Taiyangshan"). Also, the relocation of production facilities of the Group to the site in Xinglongshan, Changchun, will offer an opportunity to upgrade the production facilities as well as to re-adjust the product mix and production capacity that better suits current market needs. The board (the "Board") of directors (the "Directors") of the Company expects all major upstream products and sweeteners production facilities in Changchun will resume at full production capacity upon the completion of the relocation. As for the plant and machinery in the Group's lysine production facilities in Changchun Dahe Bio Technology Development Co., Ltd., production has been resumed since November 2015 and has recorded gross profit since December 2015. As such, the management is of the view that the impairment assessment performed for these non-current assets is sufficient.

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

2. Financial guarantee contracts

As detailed in the 2015 Annual Report, the fair value of guarantees issued by members of the Group to banks in the People's Republic of China (the "PRC"or "Mainland China") in connection with facilities granted to the 長春大金倉玉米收儲有限公司(Changchun Dajincang Corn Procurement Ltd., "Supplier" or "Dajincang") was not recognised in the Group's consolidated financial statements for the year ended 31 December 2015 because the professional valuer could not proceed with the valuation as the Supplier failed to provide reliable financial information to conduct an accurate valuation. Therefore, the fair value of such financial guarantee contracts was not recognised in the 2015 Financial Statements. During the Period, the Supplier was still unable to provide relevant financial information of itself and therefore, no valuation as at 30 June 2016 could be proceeded.

As disclosed in the 2015 Annual Report, the joint announcement of the Company and Global Sweeteners Holdings Limited ("GSH" together with its subsidiaries, the "GSH Group") dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the various financial guarantees given by members of the Group and the GSH Group (the "Previous Supplier Guarantees") will expire between August to November 2016. The management has been actively negotiating with Bank of China ("BOC") for the release of the Previous Supplier Guarantees. While BOC has expressed its intention to release the Group and the GSH Group from the Previous Supplier Guarantees by the end of 2016 subject to the obtaining of its internal approval, to the best of the knowledge, information and belief of the Directors after making reasonable enquiries, the internal approval has not yet been completed as at the date of this report.

The term of the Previous Supplier Guarantees will expire between August to November 2016. The Supplier has indicated that it would not have sufficient financial resources to repay the loan advanced by BOC to the Supplier under the loan agreements with principal amount of RMB2.49 billion ("Previous Supplier Loan") upon the respective maturity dates. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Suppliers Guarantees, the Supplier proposes to refinance the Previous Supplier Loan by entering into new loan agreements with BOC for the new supplier loan ("New Supplier Loan"). As a condition to the New Supplier Loan, certain subsidiaries of the Company have been requested to provide guarantees to BOC in connection with the facilities granted to the Supplier under the new loan agreements ("New Supplier Loan Agreements"). If BOC does not agree to enter into the New Supplier Loan Agreements, the New Supplier Guarantees will not be entered into by the Guarantees notwithstanding the approval by the Shareholders. Under such circumstances, BOC might enforce the Previous Supplier Guarantees and demand the Group to repay the relevant loans. Then the Group may need to dispose its assets or business in order to repay the supplier loans.

Meanwhile, the New Supplier Guarantees may give rise to a disclaimer of opinion in the auditor's report in 2016, similar to that in 2015 which was resulted from, among others, the limitation of audit scope in respect of the Previous Supplier Guarantees. Since the Supplier is a third party private company, information about its financial position, including its repayment ability, liquidity and other financial resources, may not be readily available to the Group or otherwise considered reliable to the satisfaction of valuers. The valuers engaged by the Group in appraising the fair value of the Previous Supplier Guarantees had encountered such difficulties so they were unable to reliably estimate the fair value of the Previous Supplier Guarantees, and it is expected that the valuers will encounter the same difficulties when appraising the fair value of the New Supplier Guarantees. Consequently, it is expected that a limitation of audit scope of the same nature in 2015 will continue in 2016.

3. Consolidation of foreign subsidiaries

As detailed in the 2015 Annual Report, the Group's management was unable to fully retrieve the books and records of two foreign subsidiaries of the Company, namely Global Bio-chem Technology Americas Inc. ("GBTA") and Global Bio-chem Technology Europe GmbH Inc. ("GBTE") to verify the correctness of the amounts consolidated for the year ended 31 December 2015. As a result, the auditor was unable to determine any adjustments in the financial statements were necessary which may materially affect the financial performance of the Group.

GBTA is in the process of voluntary liquidation and it is expected that the liquidation procedures will be completed before the end of year 2016, in which audited financial statements as of the date of cessation will be ready for inspection. With respect to GBTE, the management believes that the existence of GBTE will provide strategic value for the long-term development of the Group. As such, in July 2016, after taking into account the overall strategy of the Company, the management has decided to keep GBTE for the Group's future development. In order to address the auditor's concern in their disclaimer opinion as detailed in the 2015 Annual Report, the management has engaged an external auditor to prepare the 2015 audited financial statements of GBTE to rectify the situation. Since GBTE will continue to be a member of the Group, the management will ensure proper financial audit of GBTE in future.

As GBTE had been in the process of the preparation of liquidation since January 2016, it has remained dormant during the Period. It is expected that GBTE will continue to be dormant for the rest of the year and therefore, will have minimal impact on the Group's overall performance for the year 2016. In the opinion of the Directors, GBTA and GBTE will not have any material financial impact on the Group's financial position at 30 June 2016 and result for the Period then ending.

4. Inventories

As detailed in the 2015 Annual Report, the Group had lysine products kept at location outside the Group's premises. The management was unable to obtain sufficient confirmations from these warehouses as commercial disputes with certain warehouses have encumbered the collection process. Accordingly, based on the management's assessment, a provision for impairment losses of HK$0.6 million was made during the Period for these lysine inventories kept in these warehouses outside the Group's premises which are subject to a litigation in the PRC.

FINANCIAL PERFORMANCE

The consolidated revenue of the Group for the Period increased by approximately 30.0% to approximately HK$2,062.3 million (2015 as restated: HK$1,586.0 million), subsequent to the resumption of the Group's production since November 2015. In the meantime, optimisation of operation has shown to be effective — the Group recorded a gross profit of HK$83.9 million for the Period as compared to a gross loss of HK$170.0 million (restated) for the corresponding period last year. In spite of the improved operation, the poor market sentiment of the upstream corn refined products and sluggish demand overall have put the Group's performance under pressure. As a result, the Company recorded a net loss of HK$599.5 million (2015 as restated: HK$1,027.0 million) for the Period.

Upstream products

(Sales amount: HK$737.2 million (2015 as restated: HK$726.2 million))
(Gross loss: HK$71.5 million (2015 as restated: HK$57.1 million))

During the Period, the revenue and gross loss of upstream products amounted to approximately HK$737.2 million and HK$71.5 million (2015: HK$726.2 million and HK$57.1 million) respectively.

The sales volume of corn starch and other corn refined products for the Period were approximately 144,000 MT (2015: 116,000 MT) and 188,000 MT (2015: 134,000 MT) respectively. Internal consumption of corn starch was approximately 49,000 MT (2015: 37,000 MT), which was mainly used as raw material for the Group's downstream production.

During the Period, the average selling prices of corn starch and other corn refined products dropped by 25.3% to HK$2,394 per MT (2015: HK$3,205 per MT) and 20.4% to HK$2,097 per MT (2015: HK$2,633 per MT) respectively. As a result, the corn starch segment recorded a gross loss margin of 2.2% (2015: 1.5%) while other corn refined products segment recorded a gross loss margin of 16.2% (2015: 14.6%).

The Group's upstream business has been hit by the slowdown of China's economic growth, weak export and excessive supply in the market. This situation continued during the Period and is expected to continue in the second-half of 2016. The Group's operation in Jilin province has benefited from the agricultural subsidies from provincial government for every MT of corn purchased by the corn refineries in Jilin Province which substantially lowered the Group's corn purchasing cost. Despite the challenging operating environment of the upstream business, the Group's upstream operation serves as a feedstock for its downstream operation which has strategic value to the Group's overall operation. The management will continue its prudent approach in optimising its facilities utilisation in order to maintain healthy cash flows of the Group.

Amino acids

(Sale amount: HK$1,033.6 million (2015 as restated: HK$365.2 million))
(Gross profit: HK$115.4 million (2015 as restated: Gross loss: HK$121.4 million))

The amino acids segment consists of lysine, protein lysine and threonine products. Revenue of this segment increased by 183.0% to approximately HK$1,033.6 million (2015: HK$365.2 million) during the Period, representing 50.1% (2015: 23.0%) of the Group's revenue. The sales volume of amino acids segment increased by 261.5% to 188,000 MT (2015: 52,000 MT). Benefiting from the cost savings resulting from the facility upgrade and agricultural subsidies from provincial government, the Group recorded gross profit of approximately HK$115.4 million (2015: gross loss: HK$121.4 million) with a gross profit margin of 11.2% (2015: gross loss margin: 33.2%) during the Period.

As the market of lysine products gradually consolidates, short-term volatility in lysine product prices is expected. While continuous efforts will be dedicated to lower production cost, the Group's research and development team is proactively looking for opportunities to develop other amino acids products complementary to the current product mix of the Group. The management believes this will provide flexibility and alternatives to current production facilities to enable to Group to respond to market changes, and at the same time, to offer wider choices and better services to its current customers.

Polyol chemicals

(Sale amount: HK$1.0 million (2015 as restated: HK$45.2 million))
(Gross loss: HK$0.6 million (2015 as restated: HK$33.4 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, resins, anti-freeze products, hydrogen and ammonia. Due to the poor market condition of the chemical industry and the weak market prices of chemical products since 2013, the Group has suspended most of its polyol chemicals production since March 2014. During the Period, the Group produced and sold a small amount of anti-freeze products and at the same time, continued to sell its polyol chemicals inventory.

As a result, the revenue of polyol chemicals segment decreased by 97.8% to approximately HK$1.0 million (2015: HK$45.2 million) and the gross loss decreased by 98.2% to approximately HK$0.6 million (2015: HK$33.4 million). The gross loss margin of this segment was 60.0% (2015: 73.9%) during the Period.

The Group's ammonia production has been suspended since March 2014 and no sales were made thereafter.

Corn sweeteners

(Sale amount: HK$290.5 million (2015 as restated: HK$449.4 million))
(Gross profit: HK$40.6 million (2015 as restated: HK$41.9 million))

The corn sweeteners segment consists of corn syrup and corn syrup solid, and is operated by the GSH Group.

The operating environment of corn sweeteners was depressed by overcapacity and high raw material cost during the Period. Consequently, sales volume of corn sweeteners dropped by 21.1% to 101,000 MT (2015: 128,000 MT) and revenue decreased by 35.4% to HK$290.5 million (2015: HK$449.4 million). Despite the challenging market condition, the corn sweeteners segment still recorded gross profit of approximately HK$40.6 million (2015: HK$41.9 million) during the Period, with a gross profit margin of 14.0% (2015: 9.3%).

While domestic and international sugar prices increased as a result of low production volume for the 2015/16 harvest; and corn price in China dropped as a result of sluggish demand and expectation of agricultural policy reforms, the cost advantage of corn sweeteners is made more prominent. As such, customers are increasingly convinced to switch from cane sugar to corn sweeteners.

Export Sales

During the Period, the Group generated revenue of approximately HK$439.2 million (2015: HK$243.8 million) from export sales, which accounted for 21.3% (2015: 15.4%) of the Group's total revenue, representing an increase of approximately HK$195.4 million or 80.1% as compared to the corresponding period last year. Such increase was attributable to the resumed production of the lysine product series since November 2015.

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

Other income and gains

During the Period, other income and gains increased by 129.0% to approximately HK$103.3 million (2015 as restated: HK$45.1 million). Such income and gains included net profit arising from the sale of packing materials and by-products, government grants, reversal of impairments of trade receivables which amounted to approximately HK$16.4 million (2015: HK$2.1 million), HK$27.5 million (2015: HK$15.8 million), and HK$15.8 million (2015: Nil) respectively.

Selling and distribution expenses

During the Period, the selling and distribution expenses accounted for 7.1% (2015: 7.0%) of the Group's revenue, representing an increase of 31.4% to approximately HK$146.1 million (2015 as restated: HK$111.2 million). Such increase was mainly attributable to the increase in sales.

Administrative expenses

During the Period, administrative expenses decreased to approximately HK$136.4 million (2015 as restated: HK$168.1 million), representing 6.6% (2015: 10.6%) of the Group's revenue. Such decrease was mainly attributable to the result of stringent cost control policy since the second half of 2015.

Other expenses

During the Period, other expenses of the Group decreased to approximately HK$264.8 million (2015 as restated: HK$330.0 million) which mainly included expenses reallocated from cost of sales due to idle capacity of the Changchun production facilities of the Group amounted to HK$99.4 million (2015 as restated: HK$194.6 million).

Finance costs

During the Period, finance costs of the Group which included effective imputed interest of HK$25.5 million decreased to approximately HK$239.1 million (2015 as restated: HK$291.0 million). It was mainly attributable to the drop in the average interest rate to approximately 5.2% (2015: 6.6%).

Income tax expense

Although the Group recorded a net loss during the Period, a subsidiary in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, income tax expense amounted to approximately HK$0.2 million was recognised (2015: HK$1.7 million).

Loss shared by non-controlling shareholders

During the Period, GSH recorded a loss of approximately HK$68.6 million (2015: HK$156.2 million), leading to loss shared by the non-controlling shareholders amounted to approximately HK$25.9 million (2015 as restated: HK$59.9 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2016 remained at similar level at approximately HK$8,154.1 million (31 December 2015: HK$8,156.9 million). On the other hand, the cash and cash equivalents and pledged deposits decreased by approximately HK$334.1 million to approximately HK$1,280.3 million (31 December 2015: HK$1,614.4 million). As a result, the net borrowings increased to approximately HK$6,873.8 million (31 December 2015: HK$6,542.5 million).

Structure of interest-bearing borrowings

As at 30 June 2016, the Group's interest-bearing borrowings amounted to approximately HK$8,154.1 million (31 December 2015: HK$8,156.9 million), of which 0.3% (31 December 2015: 1.1%) were denominated in Hong Kong dollars or US dollars while the remaining 99.7% (31 December 2015: 98.9%) were denominated in Renminbi. The average interest rate during the Period was 5.2% (31 December 2015: 6.0%). The percentage of interest-bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were 41.0%, 58.9% and 0.1% (31 December 2015: 56.3%, 43.6% and 0.1%), respectively.

Convertible bonds

The Company has issued convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$1,086,279,565 which may be converted into 4,722,954,631 conversion shares of the Company (the "Conversion Shares") based on the initial conversion price of HK$0.23 (subject to adjustment) per share upon full conversion. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Its holder have the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into the Conversion Shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date days before (and excluding) the date falling on the fifth anniversary of the date of issue, provided that the public float of the shares of the Company shall not be less than 25% or any given percentage as required by the Listing Rules. No conversion right has been exercised by its holder as at the date of this report.

At 30 June 2016, the Convertible Bonds was divided into liability component and equity component which amounted to HK$831.6 million and HK$290.6 million (31 December 2015: HK$806.1 million and HK$290.6 million) respectively and effective imputed interest of HK$25.5 million (2015: Nil) was charged during the Period.

Following the completion of the subscription on 15 October 2015, the total proceeds from the subscription amounted to approximately HK$1.81 billion. After the completion of the subscription, the proceeds were utilised as follows:

	HK$ million
Business development including purchase of raw materials	667.3
Professional fee and other related expenses	4.8
2015 annual audit fee	5.8
Settlement of litigation in Netherlands	6.1

The remaining proceeds from the subscription amounted to approximately HK$1.12 billion as at 30 June 2016. As disclosed in the circular of the Company dated 21 September 2015, the Board will apply the remaining net proceeds for business development, expenses in relation to the relocation of the Group's production facilities in Lu Yuan District, Changchun to the new production facilities in Xinglongshan, Changchun which is in response to the call of the local government to industrial companies to move their factories away from central districts of the city and general working capital purpose of the Group.

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 decreased to approximately 33 days (31 December 2015: 48 days) due to the strengthened control on credit terms after the completion of the subscription in October 2015. Meanwhile, the trade creditor's turnover days decreased to approximately 130 days (31 December 2015: 177 days) during the Period, as the Group has been actively negotiating with creditors on repayment plans mutually-agreed among the parties. The inventory decreased by 26.8% to HK$534.1 million (31 December 2015: HK$729.4 million), thus the inventory turnover days decreased to 49 days (31 December 2015: 74 days).

As at 30 June 2016, the current ratio and the quick ratio of the Group slightly increased to 0.8 (31 December 2015: 0.7) and 0.7 (31 December 2015: 0.6) respectively, which was mainly due to the decrease in current portion of interest bearing bank borrowing. However, the Group has recorded a loss of HK$599.5 million during the Period, leading to the recorded net liabilities value to HK$575.4 million (31 December 2015: net assets value HK$24.1 million. As a result, 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) was (1,194.6)% (31 December 2015: 27,174.2%). To improve the financial position of the Group, the Company has adopted several strategic measures as mentioned in the section headed "Basis of Preparation and Accounting Policies" of this report.

Foreign exchange exposure

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

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market position, diversify its product range and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

In the short run, the Group will take the opportunity of the relocation of its production facilities to the Xinglongshan site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products. To realise this objective, the Group's research and development centre is currently working on a series of product development projects. The Board will optimise its risk/return decision with respect to capital expenditure and will take a prudent approach in relation to capacity expansion.

Subject to the completion of the transactions contemplated under the Property Disposal Agreements (as defined in this report) and the Asset Disposal Agreements (as defined in this report), it is expected that new capital will be brought to both the Group and the GSH Group. The proceeds of these transactions will finance the relocation of the production facilities to Xinglongshan, resumption of the suspended operations, working capital and future development of both groups.

As disclosed in the Company's announcement dated 26 May 2016, the Company has entered into a memorandum of understanding in relation to the proposed acquisition by the Group from a possible vendor of shares in a company incorporated in Hong Kong (the "HK Company"). Subject to the completion of certain reorganisation, it is expected that the HK Company will hold about 49% of the equity interest of a sino-foreign equity joint venture established in the PRC (the "Joint Venture"), which is principally engaged in the manufacture of aniline, nitrobenzene, nitric acid and synthetic ammonia, and is one of the major suppliers of aniline in the PRC. It also possesses certain advanced technology of value, and is also contemplating for the listing of its shares on the National Equities Exchange and Quotations System (also known as the "New Third Board") in the PRC. One of the Group's by-products, liquid ammonia, is also the upstream product for the production of the Joint Venture's chemical products. It is expected that the proposed acquisition, once materialized will create synergistic effect between the Joint Venture and the Group, and represents a favourable investment opportunity for the Group to diversify its income source.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2016, the Group had approximately 5,200 (31 December 2015: 5,600) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasingly turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares ("Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Kong Zhanpeng	18,256,000	241,920,000 *(Note 1)*	260,176,000	4.07

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

	Number of shares held capacity and nature of interest			
Name of chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of GSH's issued share capital**
Mr. Kong Zhanpeng	6,000,000 *(Note 2)*	1,984,000 *(Note 1)*	7,984,000	0.52

Notes:

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

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

Save as disclosed above, as at 30 June 2016, 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 2016, 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
Mr. Liu Xiaoming	*1*	365,138,400	5.71
Personal representative of the late Mr. Xu Zhouwen	*2*	322,111,600	5.03
Modern Agricultural	*3*	7,858,463,827	122.81

Notes:

1. Among these interests, 346,048,000 Shares of which are held by LXM Limited, the entire issued capital of which is beneficially owned by Mr. Liu Xiaoming, a former executive Director. Mr. Liu Xiaoming is the sole director of LXM Limited.

2. Among these interests, 295,456,000 Shares of which are held by Crown Asia Profits Limited, the entire issued capital of which is held by the personal representative of the late Mr. Xu Zhouwen, a former executive Director.

3. These interest represents 3,135,509,196 shares and convertible bonds in the principal amount of HK$1,086,279,565 which may be converted into 4,722,954,631 ordinary shares upon full conversion based on the initial conversion price of HK$0.23 per Share (subject to adjustment). The entire issued capital of Modern Agricultural is wholly owned by Jilin Province Modern Agricultural Industry Investment Fund (LLP) ("PRC LLP"). The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited, and Jilin Changjitu Investment Co., Ltd. is 40% limited partner of PRC LLP, Yinhua Wealth and Capital Management (Beijing) Co., Ltd. is 26.7% limited partner of PRC LLP, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou") is 20% limited partner of PRC LLP, while Changchun Emerging Industry Equity Investment Fund Co., Ltd. is 13.3% limited partner of PRC LLP. Jilin Province Modern Agricultural Industry Fund Limited is wholly owned by Jilin Changjitu Investment Co., Ltd. whose 91.11% of its interest is owned by Jiaotou. Jiaotou is 71.43% owned by 吉林省人民政府國有資產監督管理委員會(Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province). Each of Modern Agricultural, PRC LLP, Jilin Province Modern Agricultural Industry Fund Limited, Jilin Changjitu Investment Co., Ltd., Jiaotou and 吉林省人民政府國有資產監督管理委員會(Stated-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province) are deemed to be interested in the interest held by Modern Agricultural.

Save as disclosed above, as at 30 June 2016, 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 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.

Mr. Chan Chi Wai, Benny resigned as an independent non-executive Director with effect from 28 December 2015 as he wished to focus on other business and personal affairs. Following his resignation as an independent non-executive Director, Mr. Chan also ceased to act as, among others, a member and the chairman of the audit committee of the Company (the "Audit Committee"). Following Mr. Chan's resignation, the Company had only two independent non-executive Directors and the Audit Committee had only two members, which fell below the minimum number required under the Listing Rules. The Company appointed Ms. Chiu Lai Ling, Shirley as an independent non-executive Director and, among others, a member of the Audit Committee, a member of remuneration committee of the Company, a member of nomination committee of the Company and a member of the corporate governance committee of the Company on 16 March 2016.

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

Having made specific enquiry of the Directors, all Directors confirmed that they have complied with the required standards set out in the code of conduct of the Company and the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls systems. The Audit Committee comprises three independent non-executive Directors namely Mr. Ng Kwok Pong (the chairman of the committee), Mr. Yeung Kit Lam and Ms. Chiu Lai Ling, Shirley.

The Audit Committee meets regularly with the Company's senior management and the Company's auditor 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 2016 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 Ms. Chiu Lai Ling, Shirley and an executive Director, Mr. Wang Jian. 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, Ms. Wang Qiu (the chairman of the committee), and two independent non-executive Directors, namely Mr. Ng Kwok Pong and Ms. Chiu Lai Ling, Shirley. 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.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") comprises of two independent non-executive Directors, namely Mr. Ng Kwok Pong (the chairman of the committee) and Ms. Chiu Lai Ling, Shirley, and one executive Director, Mr. Li Shuguang. 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 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 Directors of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting (with such participant and his associates abstaining from voting).

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

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

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

The following share options have lapsed under the Scheme of the Company during the Period:

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

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 ("GSH 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 GSH Invested Entity;

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

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

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

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

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

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

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

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

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

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

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

Participants	Number of share options as at 1 January 2016	Granted during the Period	Cancelled or lapsed during the Period	Exercised during the Period	Number of share options as at 30 June 2016	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*
Mr. Kong Zhanpeng	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Mr. Ho Lic Ki	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Employees	6,000,000	–	–	–	6,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Other participant	2,000,000	–	–	–	2,000,000	11 July 2011	11 July 2011 to 10 July 2016	–	1.67	1.67
Total	16,000,000	–	–	–	16,000,000					

As at 30 June 2016, 16,000,000 shares of GSH were available for issue under the GSH Scheme, representing approximately 1.05% of the issued share capital of GSH as at that date. On 11 July 2016, such 16,000,000 share options have lapsed.

MATERIAL 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.

Infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710") and the previous judgment concerning EP '710, and EP 0.733.712 (entitled "Process for Producing Substance") ("EP '712"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

As disclosed in the Company's announcement dated 7 August 2015, the relevant courts in the Netherlands ruled that the Relevant Group Members had infringed three European patents, namely EP 0.733.710 (entitled "Process for Producing L-Lysine by Fermentation"), EP 0.733.712 (entitled "Process for Producing a Substance"), and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine"), registered in the name of the Plaintiffs by virtue of the offer for sale, import, and/or trading of the Relevant Group Members' L-lysine products in the Netherlands.

The Relevant Group Members had received a demand from the legal advisers of the Plaintiffs for damages of over 2.2 million Euros (the "Claimed Damages") in respect of the infringement. 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 was not settled by the Relevant Group Members. It was expected that the Plaintiffs would initiate damages assessment proceedings for assessment of the Claimed Damages. The Plaintiffs have submitted the writ of summons regarding the follow-up proceedings damages assessment to the Court in the Hague, the Netherlands in March 2016. It is expected that a formal docket session will be held in late September 2016.

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

As disclosed in the Company's announcement dated 18 September 2014, the Relevant Group Members received a judgment dated 10 September 2014 whereby the Court has rejected all the Plaintiffs' claim in respect of an alleged infringement of EP '318 by the Relevant Group Members and has allowed part of the counterclaim made by the Relevant Group Members.

Pursuant to the judgment, the Court ordered that the claims made by the Plaintiffs are rejected and the Plaintiffs' are ordered to pay the legal costs of the Relevant Group Members amounted to 90,387.05 Euro which payment is immediately enforceable. The Court has also allowed part of the counterclaim made by the Relevant Group Members whereby part of the subject matter of the relevant patent is nullified and the Plaintiff and the Relevant Group Members shall bear their own legal costs in respect of the counterclaim. The Plaintiffs have made an appeal to the Court of Appeal in respect of the judgment. The Relevant Group Members was informed that the decision by the Court of Appeal will be available in May 2016.

On 29 April 2016, the Company received the judgment of the Court of Appeal of The Hague in the above matter, in which the first instance judgment is overturned. According to the judgment, among the alleged claims, only one of the Group Members was ruled to have infringed the EP '318 patent in the Netherlands. The relevant Group Member were requested to pay for the Plaintiffs' legal cost and to comply with the court orders, which include: (i) injunction — to cease the infringement of claims 15 and 17 of the Dutch part of EP '318; (ii) surrender of infringing products — within 14 days after service of the judgment; (iii) recall letter — to be circulated to customers to which the infringing products were sold within 14 days after service of the judgment; and (iv) provision of information — to provide the relevant financial information of the infringing products within 30 days after service of the judgment drawn-up by an independent accountant as basis for the calculation of damages. With regard to (i) and (ii), since the relevant Group Member has ceased its sales function and therefore no action needs to be taken. After the initial assessment of the plausible financial impact of the judgment, the management are of the view that appealing is not in the best interest of the Company, considering the time and cost involved in the appealing action. As such, the Company has decided not to appeal to the judgment of the Court of Appeal of The Hague in the above matter. Consequently, the relevant Group Member has acted in accordance with the court orders, pending on the final decision of the damage amount by the Court.

Save as disclosed above, there was no litigation or claims of material importance pending or threatened against the Group as at the date of this report.

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

Equipment leasing

Reference is made to the 2015 Annual Report, on 5 August 2015, the management was notified that a subsidiary of the Company, Changchun GBT Bio-Chemical Co., Ltd. ("GBT Bio-Chemical") had entered into an equipment leasing agreement (the "Lease") 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 an announcement of the Company dated 7 May 2014 titled "Major transaction in relation to resumption of buildings, machineries and fixtures". The Group has not assessed and recognised the operating lease expenses in respect of the Lease in its financial statements for the years ended 31 December 2014 and 2015.

The Lease had been unilaterally terminated by GBT Bio-Chemical on 15 March 2016. Taken into account the PRC legal advice sought by the Board and the ongoing communication with the Finance Bureau of Changchun in relation to the termination of Lease, the Board considers that the chance of litigation is remote. As of the date of this report, no assessment has been made on the possible damages for the termination of the Lease.

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

Reference is made to the circular of the Company dated 3 June 2016, in relation to the proposed disposal of lands and buildings in Changchun and disposal of accounts receivables, inventories and tools by the Group and the GSH Group. Pursuant to a property disposal agreement ("First Property Disposal Agreement"), certain members of the Group have conditionally agreed to sell, and Taiyangshen has conditionally agreed to purchase, the seven pieces of land situated at the east side of Xihuancheng Road, Lu Yuan District, Changchun, the PRC and the buildings erected thereon at the aggregate cash consideration of RMB1,641,610,000. Pursuant to another property disposal agreement ("Second Property Disposal Agreement", together with the First Property Disposal Agreement, the "Property Disposal Agreements"), certain members of the GSH Group have also conditionally agreed to sell, and Taiyangshen has conditionally agreed to purchase, the five pieces of land situated at the east side of Xihuancheng Road, Lu Yuan District, Changchun, the PRC and the buildings erected thereon at the aggregate cash consideration of RMB558,390,000.

In addition, pursuant to an asset disposal agreement ("First Asset Disposal Agreement"), certain members of the Group have conditionally agreed to sell, and Taiyangshen has conditionally agreed to purchase, the prepayments made by, the trade and other receivables owed to, or the inventories and tools owned by members of the Group at the aggregate cash consideration of about RMB673.1 million. Pursuant to another asset disposal agreement ("Second Asset Disposal Agreement", together with the First Asset Disposal Agreement, the "Asset Disposal Agreements"), certain members of the GSH Group have also conditionally agreed to sell, and Taiyangshen has conditionally agreed to purchase, the prepayments made by or the trade and other receivables owed to GSH Group at the aggregate cash consideration of about RMB171.5 million.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the disposals under the Property Disposal Agreements and the Asset Disposal Agreements (on an aggregated basis) exceeds 75% for the Company, the Property Disposal Agreements, the Asset Disposal Agreements and the respective transactions contemplated thereunder constitute very substantial disposals for the Company that is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the disposals under the Second Property Disposal Agreement and the Second Asset Disposal Agreement exceeds 75% for GSH, the Second Property Disposal Agreement, the Second Asset Disposal Agreement and the respective transactions contemplated thereunder constitute very substantial disposals for GSH that is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. On 21 June 2016, an extraordinary general meeting of each of the Company and GSH was held to approve among others, the Property Disposal Agreements and the Asset Disposal Agreements and the relevant resolutions proposed were passed by way of poll. As the date of this report, the disposals have not been completed and the Group is in the process of finalising the details of individual contracts.

Proposed provision of financial assistance to a supplier

Reference is made to the joint announcement of the Company and GSH dated 8 August 2016 and the circular of the Company dated 6 September 2016 in relation to, among others, the proposed provision of financial assistance to Dajincang.

As disclosed in the 2015 Annual Report, the management teams of the Company and GSH have been actively negotiating with BOC for the release of the Previous Supplier Guarantees. While BOC has expressed its intention to release the guarantors from the Previous Supplier Guarantees by the end of 2016 subject to the obtaining of internal approval by BOC, to the best of the knowledge, information and belief of the Directors after making reasonable enquiries, the internal approval has not yet been completed as at the date of this report.

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

As the applicable percentage ratios in respect of the new supplier guarantees exceeded 25%, the new supplier guarantees constitute a major transaction of the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under the Listing Rules. For further information in relation to the above mentioned matters, refer to the joint announcement of the Company and GSH dated 8 August 2016, the circular of the Company dated 6 September 2016 and any relevant subsequent announcements or circular of the Company.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Change of auditor of the Company

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

Relocation of production facilities to the Xinglongshan site

Reference is made to the circulars of the Company dated 3 June 2016, in relation to among others, the relocation of production facilities of the Group to the Xinglongshan site.

The Group (other than the GSH Group) has started the relocation of its operations from Lu Yuan District to the Xinglongshan site since September 2011. In light of the poor market sentiment and to minimise the disruption to the production and operation of the Group arising from the relocation, the Board currently expects the relocation of production facilities of the Group (other than the GSH Group) to the Xinglongshan site and (as the case may be) Dehui City of Changchun will be implemented by stages so that the production facilities can be relocated and commence production at the new sites progressively to meet the production needs before complete cessation of production at the current site. Due to previous delay in relocation, the relevant relocation plans of the Group are required to be updated and re-submitted to the relevant local authorities including the National Development and Reform Commission and the Environmental Protection Bureau for approval. Subject to the approval of such relocation plans/based on the approved relocation plans, it is expected that the relocation will be completed by mid-2018, with the updated expected timeframe as follows:

Products of the Group to which the production facilities relate	Production site to which the production facilities will be relocated	Production capacity of the relevant production facilities to be relocated	Expected time for the relocation of production facilities
Modified starch — food grade (phase 1)	the Xinglongshan site	20,000 metric tonne per annum ("mtpa")	September 2016 — August 2017
Modified starch (phase 2)	the Xinglongshan site	60,000 mtpa	July 2017 — June 2018
Corn oil	the Xinglongshan site	63,000 mtpa	September 2016 — August 2017
Lysine	Dehui City of Changchun	200,000 mtpa	December 2016 — January 2018
Corn refinery	Dehui City of Changchun	600,000 mtpa	December 2016 — January 2018
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000 mtpa	December 2016 — January 2018

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to a supplier

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

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

The maximum principal amount guaranteed under the Previous Supplier Guarantees was RMB2.5 billion. Since the assets ratio of the guarantees provided by the Group was more than 8%, the Company was under a general disclosure obligation to disclose such financial assistance under Rules 13.13 of the Listing Rules and to comply with Rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under Rule 13.20 of the Listing Rules to disclose the Previous Supplier Guarantees in its reports and annual reports during the relevant periods when the Previous Supplier Guarantees were in effect.

For further information in relation to the above mentioned matters, refer to the announcement of the Company dated 31 March 2015, the 2015 Annual Report and the paragraph headed "Important transactions during the period and events subsequent to the period under review – Proposed provision of financial assistance to a supplier" in this report.

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

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(restated)
REVENUE	*4*	**2,062,303**	1,585,972
Cost of sales		**(1,978,388)**	(1,755,929)
Gross profit (loss)		**83,915**	(169,957)
Other income and gains	*4*	**103,303**	45,098
Selling and distribution expenses		**(146,105)**	(111,181)
Administrative expenses		**(136,386)**	(168,102)
Other expenses		**(264,827)**	(330,041)
Finance costs	*5*	**(239,147)**	(291,048)
LOSS BEFORE TAX	*6*	**(599,247)**	(1,025,231)
Income tax expense	*7*	**(210)**	(1,749)
LOSS FOR THE PERIOD		**(599,457)**	(1,026,980)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**–**	(5,147)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(599,457)**	(1,032,127)

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

For the six months ended 30 June 2016

	Note	Six months ended 30 June **2016** **(Unaudited)** ***HK$'000***	 2015 (Unaudited) *HK$'000* (restated)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(573,583)**	(967,012)
Non-controlling interests		**(25,874)**	(59,968)
		(599,457)	(1,026,980)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(573,583)**	(972,159)
Non-controlling interests		**(25,874)**	(59,968)
		(599,457)	(1,032,127)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*9*	**HK8.96 cents**	HK29.63 cents

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**6,010,798**	6,301,975
Prepaid land lease payments		**441,677**	449,206
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**6,320**	5,251
Goodwill		**—**	—
Intangible assets		**5,381**	5,410
Prepayments, deposits and other receivables	12	**495,060**	494,593
Interests in an associate		**—**	—
Total non-current assets		**6,959,236**	7,256,435
CURRENT ASSETS			
Non-current assets held for sale		**1,349,707**	1,349,707
Inventories		**534,053**	729,389
Trade and bills receivables	11	**452,865**	298,199
Prepayments, deposits and other receivables	12	**1,349,708**	1,275,238
Due from an associate	17(a)	**17,176**	23,104
Equity investments at fair value through profit or loss		**—**	33,300
Pledged deposits		**4,350**	47,003
Cash and cash equivalents		**1,275,972**	1,567,426
Total current assets		**4,983,831**	5,323,366
CURRENT LIABILITIES			
Trade and bills payables	13	**1,319,552**	1,505,592
Other payables and accruals		**1,688,517**	1,556,462
Interest-bearing bank borrowings		**3,346,732**	4,592,235
Tax payable		**169,359**	170,258
Total current liabilities		**6,524,160**	7,824,547
NET CURRENT LIABILITIES		**(1,540,329)**	(2,501,181)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,418,907**	4,755,254

	Note	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**4,807,368**	3,564,643
Deferred tax liabilities		**226,433**	226,433
Deferred income		**128,888**	134,011
Convertible bonds		**831,599**	806,091
Total non-current liabilities		**5,994,288**	4,731,178
Net (liabilities) assets		**(575,381)**	24,076
(DEFICIT) EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**639,900**	639,900
Reserves		**(1,360,967)**	(787,384)
		(721,067)	(147,484)
Non-controlling interests		**145,686**	171,560
Total (deficit) equity		**(575,381)**	24,076

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the Company											
	Issued capital	**Share premium**	**Share option reserve**	**Asset revaluation reserve**	**Convertible bonds reserve**	**Other reserve**	**Statutory reserve fund**	**Exchange fluctuation reserve**	**Accumulated loss**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At 1 January 2016	**639,900**	**2,839,469**	**10,527**	**388,469**	**290,585**	**15,677**	**105,939**	**1,844,437**	**(6,282,487)**	**(147,484)**	**171,560**	**24,076**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(573,583)**	**(573,583)**	**(25,874)**	**(599,457)**
Other comprehensive income for the period:												
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(573,583)**	**(573,583)**	**(25,874)**	**(599,457)**
Transfer from accumulated loss	**–**	**–**	**–**	**–**	**–**	**–**	**5,717**	**–**	**(5,717)**	**–**	**–**	**–**
Transfer of share option reserve upon the forfeiture	**–**	**–**	**(1,089)**	**–**	**–**	**–**	**–**	**–**	**1,089**	**–**	**–**	**–**
At 30 June 2016 (unaudited)	**639,900**	**2,839,469**	**9,438**	**388,469**	**290,585**	**15,677**	**111,656**	**1,844,437**	**(6,860,698)**	**(721,067)**	**145,686**	**(575,381)**

	Attributable to owners of the Company										
	Issued capital	Share premium	Share option reserve	Asset revaluation reserve	Other reserve	Statutory reserve fund	Exchange fluctuation reserve	Accumulated loss	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2015 as previously reported	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
Prior year adjustments	–	–	–	(33,575)	–	(250,984)	–	277,384	(7,175)	–	(7,175)
As restated	326,349	2,431,853	15,778	396,302	15,677	100,891	1,815,001	(4,286,720)	815,131	435,584	1,250,715
Loss for the period	–	–	–	–	–	–	–	(967,012)	(967,012)	(59,968)	(1,026,980)
Other comprehensive income for the period:											
Exchange realignment	–	–	–	–	–	–	(5,147)	–	(5,147)	–	(5,147)
Total comprehensive loss for the period	–	–	–	–	–	–	(5,147)	(967,012)	(972,159)	(59,968)	(1,032,127)
Acquisition of non-controlling interests	–	–	–	–	2,857	–	7,217	–	10,074	(2,857)	7,217
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	396,302	18,534	100,891	1,817,071	(5,252,198)	(146,954)	372,759	225,805

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	2016 (Unaudited) HK$'000	2015 (Unaudited) HK$'000 (restated)
		Six months ended 30 June	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(599,247)**	(1,025,231)
Adjustments for:			
Loan interest expense	5	**213,639**	291,048
Bank interest income	4	**(736)**	(12,251)
Imputed interest on convertible bonds	5	**25,508**	—
Interest income on other receivable	4	**(4,539)**	—
Gain on disposal of items of property, plant and equipment	6	**(26)**	—
Depreciation	6	**327,642**	286,275
Amortisation of prepaid land lease payments	6	**7,529**	10,580
Amortisation of intangible assets	6	**29**	—
Amortisation of deferred income		**(5,123)**	(5,324)
Impairment of other receivables	6	**30,713**	—
Impairment of property, plant and equipment	6	**1,265**	—
(Reversal of) provision for impairment of trade receivables	6	**(15,823)**	22,355
Reversal of write-off of trade receivables	6	**(1,087)**	—
Write-down of inventories to net realisable value	6	**6,454**	43,865
Impairment of goodwill	6	**—**	106,308
		(13,802)	(282,375)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(restated)
Decrease in inventories	**188,882**	256,535
(Increase) decrease in trade and bills receivables	**(137,756)**	240,941
Increase in prepayments, deposits and other receivables	**(101,111)**	(196,000)
Decrease in trade and bills payables	**(186,040)**	(714,563)
Increase in other payables and accruals	**132,055**	661,683
Decrease in amounts due from an associate	**5,928**	5,441
Cash used in operations	**(111,844)**	(28,338)
Interest received	**736**	12,251
Overseas taxes paid	**(1,109)**	(7,177)
Net cash flows used in operating activities	**(112,217)**	(23,264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(42,625)**	(22,239)
Proceeds from disposal of items of property, plant and equipment	**3,852**	41,130
Net cash flows (used in) generated from investing activities	**(38,773)**	18,891
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	**2,362,500**	3,397,500
Repayment of bank loans	**(2,365,278)**	(3,498,306)
Interest paid	**(213,639)**	(291,048)
Decrease in pledged deposit	**42,653**	—
Disposal of equity investments at fair value through profit or loss	**33,300**	—
Net cash flows used in financing activities	**(140,464)**	(391,854)

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(restated)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(291,454)**	(396,227)
Cash and cash equivalents at beginning of period	**1,567,426**	478,780
Effect of foreign exchange rate changes, net	**–**	(17,187)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,275,972**	65,366
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**1,275,972**	322,844
Time deposits with original maturity of less than three months when acquired, pledged as security	**–**	12,431
Non-pledged time deposits with original maturity of more than three months when acquired	**–**	(269,909)
Cash and cash equivalents as stated in the statement of cash flows	**1,275,972**	65,366

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Global Bio-Chem Technology Group Company Limited (the "Company") and it subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 ("Period") were authorised for issue in accordance with a resolution of the board (the "Board") of directors (the "Directors") of the Company on 30 August 2016.

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, No. 18 Harcourt Road, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products, corn based biochemical products and corn based sweeteners 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 2016 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 2015.

The Group recorded a consolidated net loss of HK$599 million for the six months ended 30 June 2016 (six months ended 30 June 2015 as restated: HK$1,027 million) and as at that date, the Group recorded net current liabilities of HK$1,540 million (31 December 2015: HK$2,501 million) and net liabilities of HK$575 million (31 December 2015: net assets of HK$24 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.

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

2.1 Basis of preparation *(Continued)*

(a) 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 People's Republic of China (the "PRC" or "Mainland China") 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.

Pursuant to an agreement signed with four major lender banks of the subsidiaries of the Company and Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") on 22 September 2015 (the "Agreement"), in respect of the banking facilities granted to the subsidiaries of the Company and GSH in Changchun, the four lender banks in Changchun agreed (i) to lower the interest rate for the bank borrowings; (ii) not to withdraw any banking facilities then obtained; and (iii) to take all possible measures to ensure the renewal of all existing bank borrowings. On 21 March 2016, at a meeting between the Company and three major lender banks in Changchun, the lender banks have reiterated their support to the subsidiaries of the Company and GSH in Changchun, confirmed the validity of the Agreement and expressed their intention to renew the existing banking facilities granted by them to the Company's and GSH's subsidiaries in Changchun for a period of three years.

(b) Improvement of the Group's operating cash flows

The Group has taken measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations. The management expects the performance of the Group's lysine segment will continuously improve as the benefits from cost savings via facilities upgrade and government's subsidies of corn purchase gradually take effects.

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 measures to minimise the Group's operating cash outflows; (iii) the completion of the disposals of lands and buildings erected thereon in Lu Yuan District, Changchun, the PRC, as disclosed in the circular of the Company dated 3 June 2016; and (iv) the completion of the disposals of certain receivables, inventories and tools as disclosed in the circular of the Company dated 3 June 2016, the Directors consider 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)*

(c) Financial support from the ultimate beneficial owner of a major shareholder

As disclosed in the Company's annual report for the year ended 31 December 2015 (the "2015 Annual Report"), the completion of the subscription of subscription shares and convertible bonds of the Company by Modern Agricultural Industry Investment Limited ("Modern Agricultural") took place in October 2015. Subsequently, Modern Agricultural became a major shareholder of the Company holding approximately 49% of the issued shares of the Company. The subscription brought in new capital of RMB1.5 billion to finance the Group's operational needs.

The Group has also received a written confirmation from the ultimate beneficial owner of Modern Agricultural that it will provide financial support to the Group for its operation on a going concern basis until September 2017 and undertake all liabilities that may arise from the financial guarantee contracts, as and when necessary. Such assistance received by the Group is not secured by any assets of the Group.

Based on the considerations as outlined in paragraphs (a), (b) and (c) above, the Directors are of the view that the Company could operate as a going concern in the foreseeable future. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors as described above. The 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 reclassification of non-current asset 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 consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

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

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 2015. The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

New amendments or interpretations	
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidated Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Annual Improvements to HKFRSs 2012–2014 Cycle	*various standards*

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

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

New standards or amendments		**Effective date**
Amendments to HKAS 7	*Disclosure Initiative*	1 January 2017
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
HKFRS 9	*Financial Instruments*	1 January 2018
HKFRS 15	*Revenue from Contracts with Customers*	1 January 2018
HKFRS 16	*Leases*	1 January 2019
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Directors are in the process of assessing the possible impact on the future adoption of the new/ revised HKFRSs. Certain of these new/revised HKFRSs will have impact on the consolidated financial statements. Further information about the impact will be available nearer the implementation date of the standard.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

The management, who are the chief operating decision-makers, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with that of the Group's except that interest income, finance costs, fair value gains or losses and disposal gains or losses from financial instruments as well as corporate income and expenses are excluded from such measurement.

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Segment results:

For the six months ended 30 June 2016

	Upstream products HK$'000	Amino acids HK$'000	Polyol chemicals HK$'000	Corn sweeteners HK$'000	Total HK$'000
Revenue from external customer	**737,188**	**1,033,637**	**988**	**290,490**	**2,062,303**
Segment results	**(314,044)**	**(32,728)**	**(42,311)**	**(10,852)**	**(399,935)**
Bank interest income					**736**
Unallocated revenue					**102,568**
Unallocated expenses					**(63,469)**
Finance costs					**(239,147)**
Loss before tax					**(599,247)**
Income tax expense					**(210)**
Loss for the Period					**(599,457)**

For the six months ended 30 June 2015 (restated)

	Upstream products HK$'000	Amino acids HK$'000	Polyol chemicals HK$'000	Corn sweeteners HK$'000	Total HK$'000
Revenue from external customer	726,174	365,153	45,204	449,441	1,585,972
Segment results	(371,284)	(262,064)	(79,016)	(31,706)	(744,070)
Bank interest income					12,251
Unallocated revenue					29,259
Unallocated expenses					(31,623)
Finance costs					(291,048)
Loss before tax					(1,025,231)
Income tax expense					(1,749)
Loss for the Period					(1,026,980)

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(restated)
Revenue		
Sale of goods	**2,062,303**	1,585,972
Other income		
Bank interest income	**736**	12,251
Net profit arising from the sale of packing materials and by-products	**16,424**	2,088
Government grants*	**27,548**	15,779
Interest income on other receivables	**4,539**	—
Reversal of write-off of trade receivables	**1,087**	—
Reversal of impairment of trade receivables	**15,823**	—
Gain on disposal of items of property, plant and equipment	**26**	—
Others	**37,120**	14,971
	103,303	45,089
Gains		
Exchange gain, net	**—**	9
	103,303	45,098

* 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(restated)
Interest on bank and other borrowings	**213,639**	286,770
Finance costs for discounted bills receivable	**—**	4,278
Imputed interest on convertible bonds	**25,508**	—
	239,147	291,048

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(restated)
Raw materials and consumables used	**1,831,590**	1,388,560
Impairment of property, plant and equipment	**1,265**	—
Depreciation	**327,642**	286,275
Gain on disposal of items of property, plant and equipment	**(26)**	—
Amortisation of prepaid land lease payments	**7,529**	10,580
Amortisation of intangible assets	**29**	—
(Reversal of) provision for impairment of trade receivables	**(15,823)**	22,355
Reversal of write-off of trade receivables	**(1,087)**	—
Write-down of inventories to net realisable value[#]	**6,454**	43,865
Impairment of other receivables	**30,713**	—
Impairment of goodwill	**—**	106,308

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(restated)
Current tax — Mainland China	**210**	1,749
Tax charge for the period	**210**	1,749

No provision for Hong Kong profits tax has been made as the Group had no assessable profits 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 2016 (2015: 25%).

8. DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2016 (2015: Nil)

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

The calculation of the basic loss per share for the six months ended 30 June 2016 is based on the consolidated loss for the Period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 6,398,998,360 (2015: 3,263,489,164).

During the six months ended 30 June 2016 and 2015, as anti-dilutive effect is resulted following the losses incurred by the Group, diluted loss per share is same as basic loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
At 1 January		**6,301,975**	8,762,369
Additions		**41,556**	83,112
Exchange realignment		**—**	(343,882)
Reclassified as held for sale		**—**	(1,152,088)
Disposals		**(3,826)**	(93,374)
Depreciation	6	**(327,642)**	(588,109)
Revaluation		**—**	(7,117)
Impairment	6	**(1,265)**	(358,936)
At 30 June 2016/31 December 2015		**6,010,798**	6,301,975

11. TRADE AND BILLS RECEIVABLES

	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Trade receivables	**830,597**	704,040
Bills receivable	**14,697**	2,411
Impairment	**(392,429)**	(408,252)
	452,865	298,199

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.

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Within 1 month	**249,097**	200,217
1 to 2 months	**42,085**	33,228
2 to 3 months	**45,066**	14,297
3 to 6 months	**21,554**	13,611
Over 6 months	**95,063**	36,846
	452,865	298,199

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Prepayments	**830,494**	808,050
Deposits and other receivables	**1,014,274**	961,781
	1,844,768	1,769,831
Non-current portion	**(495,060)**	(494,593)
	1,349,708	1,275,238

As at 30 June 2016, prepayments, deposits and other receivables amounting to approximately HK$830 million (31 December 2015: HK$756 million) was due from 長春大金倉玉米收儲有限公司 Changchun Dajincang Corn Procurement, Ltd. ("Supplier" or "Dajincang"), a major supplier of corn kernels. The amount mainly arose from return of corn kernels inventories to Dajincang by two of the Company's subsidiaries, Changchun Dihao Foodstuff Development Co., Ltd ("Changchun Dihao") and Changchun Baocheng Bio-Chem Development Co., Ltd ("Changchun Baocheng"), and a prepayment made by Changchun Dahe Bio Technology Development Co., Ltd during the year ended 31 December 2014. Due to the suspension of production in the preparation for the relocation, Changchun Dihao and Changchun Baocheng have returned 218,000 tons of corn kernels with a total cost of approximately HK$628 million to Dajincang at the original purchase price in 2014.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

On 14 April 2016, members of the Group and the GSH Group entered into agreements with 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Purchaser"), an independent third party, to dispose of, among others, the prepayment and other receivables from Dajincang at an aggregate consideration of approximately RMB845 million (equivalent to HK$1,006 million). With respect to the payment schedule of the consideration, RMB338 million (equivalent to HK$402 million), RMB253.5 million (equivalent to HK$302 million) and RMB253.5 million (equivalent to HK$302 million) is payable on or before 31 December 2016, 31 December 2017 and 31 December 2018 respectively.

13. 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 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Within 1 month	**148,910**	255,456
1 to 2 months	**229,153**	26,150
2 to 3 months	**22,736**	28,529
Over 3 months	**918,753**	1,195,457
	1,319,552	1,505,592

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

14. SHARE CAPITAL

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

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (31 December 2015: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
6,398,998,360 (31 December 2015: 6,398,998,360) ordinary shares of HK$0.10 each	**639,900**	639,900

15. FINANCIAL GUARANTEES

During November 2010 to March 2015, several subsidiaries of the Company entered into financial guarantee contracts with Bank of China ("BOC") and Agricultural Bank of China for the benefit of Dajincang, a major supplier of the Company's subsidiaries in Changchun in respect of certain of its bank borrowings. The maximum guaranteed amounts were RMB3 billion at 31 December 2010, 2011, 2012 and RMB3.35 billion as at 31 December 2013, and RMB2.85 billion as at 31 December 2014, 2015 and RMB2.5 billion as at 30 June 2016. These financial guarantee contracts were not recognised in the consolidated financial statements as at 30 June 2016 and in the previous years. Refer to the Company's announcement dated 31 March 2015 and the 2015 Annual Report for details of the financial guarantee contracts.

As disclosed in joint announcement dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the various financial guarantees given by members of the Group and the GSH Group as disclosed in the announcement of the Company dated 31 March 2015 (the "Previous Supplier Guarantees") will expire between August to November 2016. The Supplier has indicated that it would not have sufficient financial resources to repay the loan advanced by BOC to the Supplier under the loan agreements with principal amount of RMB2.49 billion ("Previous Supplier Loan") upon the respective maturity dates. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, the Supplier proposes to refinance the Previous Supplier Loan by entering into new supplier loan agreements with BOC for the new supplier loan ("New Supplier Loan"). As a condition to the New Supplier Loan, certain subsidiaries of the Company have been requested to provide guarantees to BOC in connection with facilities granted to the Supplier under the new loan agreements ("New Supplier Loan Agreements"). Refer to the Company's announcements dated 31 March 2015 and 8 August 2016 and the circular of the Company dated 6 September 2016 for details of among others, the Previous Supplier Guarantees.

16. CAPITAL COMMITMENTS

At as 30 June 2016, the Group had capital commitments as follows:

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Contracted, but provided for acquisition of production facilities and building	**531,410**	501,315

17. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Due from an associate	**17,176**	23,104
Due to a related party	**37**	148

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) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016 (Unaudited) ***HK$'000***	2015 (Unaudited) *HK$'000*
Short term employee benefits	**3,294**	8,968
Post-employment benefits	**27**	42
	3,321	9,010