大成糖業控股有限公司*

GLOBAL Sweeteners Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03889

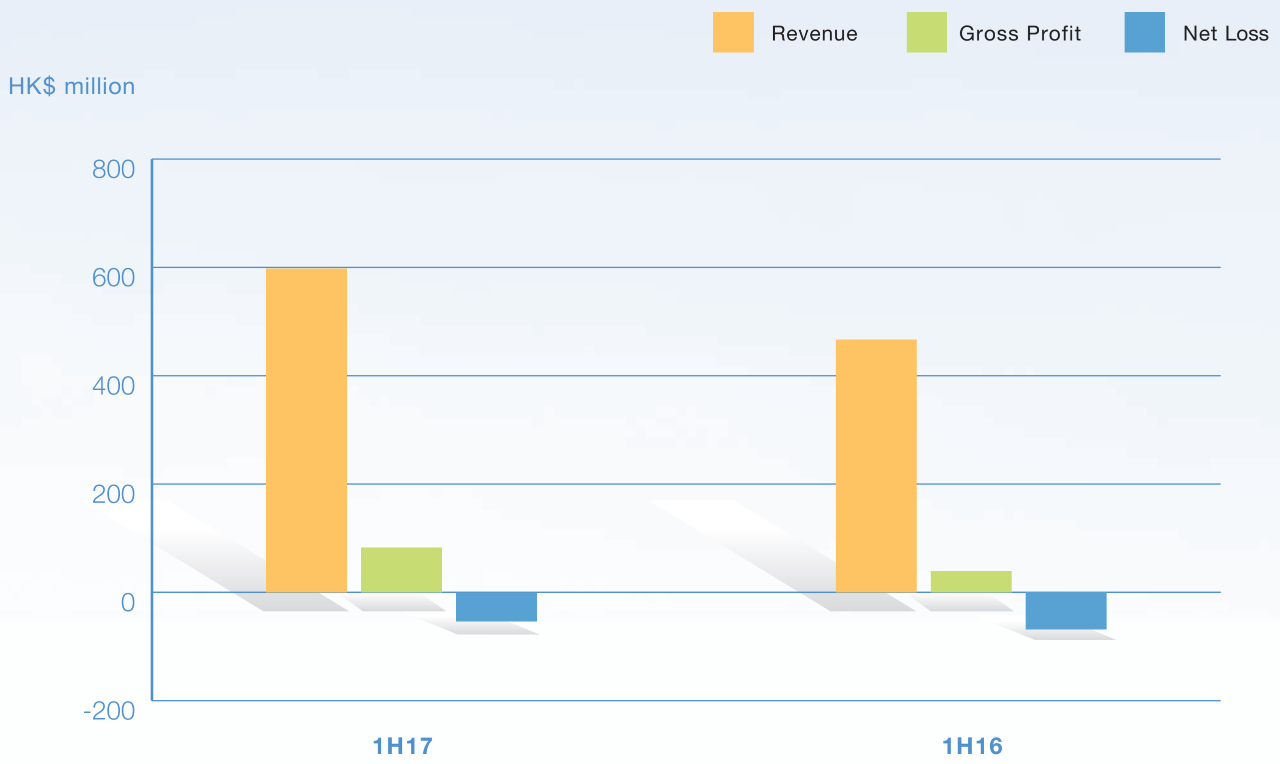
2017 INTERIM REPORT

* For identification purpose only

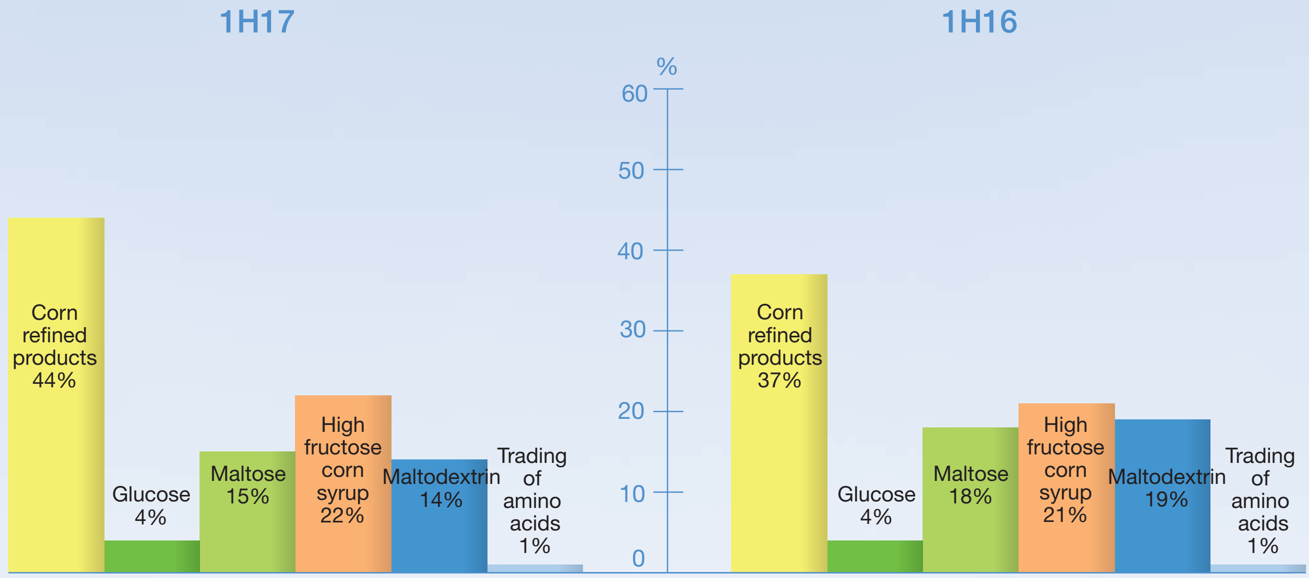
CONTENTS

FINANCIAL HIGHLIGHTS

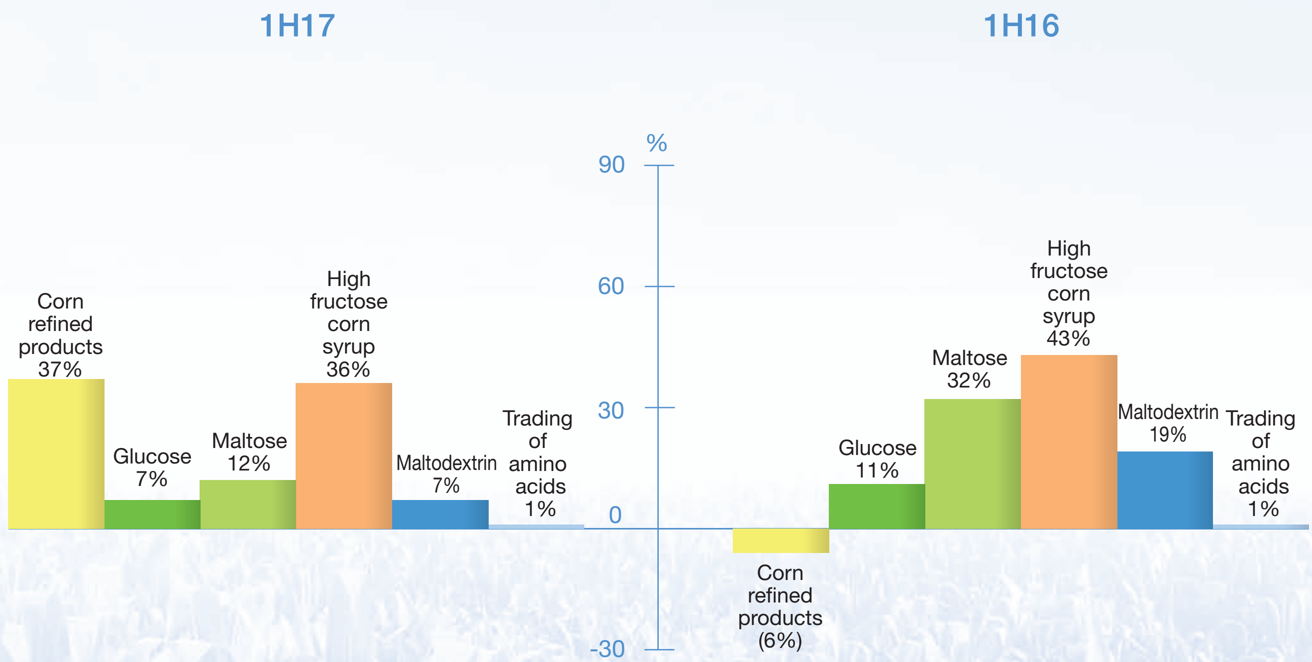
	Six months ended 30 June (Unaudited)		
	2017 (HK$ million)	2016 (HK$ million)	Change %
Revenue	**597.7**	466.5	28.1
Gross profit	**82.7**	39.5	109.4
Loss before tax	**(51.4)**	(68.3)	N/A
Loss for the period	**(53.5)**	(68.6)	N/A
Basic loss per share (HK cents)	**(3.50)**	(4.49)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A



REVENUE DISTRIBUTION



GROSS PROFIT/(LOSS) DISTRIBUTION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Kong Zhanpeng *(Chairman)*
Mr. Zhang Zihua *(Appointed on 23 March 2017)*
Mr. Wang Jian *(Resigned on 23 March 2017)*

Non-executive Directors

Mr. Fu Qiang *(Resigned on 23 March 2017)*
Ms. Zhang Yaohui *(Resigned on 23 March 2017)*

Independent non-executive Directors

Mr. Ho Lic Ki
Mr. Lo Kwing Yu
Mr. Yuen Tsz Chun

COMPANY SECRETARY

Mr. Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

AUDITOR

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Wanchai
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Chiu & Partners
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1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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PO Box 2681
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

03889

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Benefiting from the PRC agricultural policy reforms and the high domestic sugar price, coupled with the effective enhancement of operation efficiency, the Group's overall operating results for the six months ended 30 June 2017 further improved. Revenue and gross profit for the period under review increased significantly, with gross profit more than doubled as compared to the corresponding period of last year. As various costs and interest expenses remained high, the Group still recorded a net loss for the Period. However, such loss had narrowed year on year.

In respect of agricultural policy, subsequent to the publication of an official government 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》) dated 19 June 2016, the state government implemented the supply side structural reform in the agricultural sector, and introduced a direct subsidy programme. The provincial governments in northeast China also offered corn purchasing subsidies to qualified corn refiners during harvest season. The relevant measures had led to significant decrease in domestic corn price. Such changes have positive impacts on the operating environment of upstream corn refinery industry. The Group's upstream operations improved significantly during the Period, reporting a gross profit of HK$30,300,000, as compared to a gross loss for the corresponding period last year.

The PRC sugar price trend remained positive during the period under review. Notwithstanding PRC sugar price retreated from its peak in 2016, driven by stable demand, sugar price in China as at the end of June 2017 still increased by approximately 14% year-on-year. In addition, the price of raw material corn kernels dropped significantly as a result of the state government agricultural policy reform. All these had widened the cost difference between cane sugar and corn sweeteners, thus raising customers' incentive to switch to corn sweeteners. As such, the Group has resumed the downstream production in the Jinzhou production facilities during the first half of the year. Increased production volume has led to the enhancement of overall operating efficiency.

On the other hand, the Group continued to receive support from its indirect controlling shareholder, Jilin Agricultural Investment Group Co., Ltd.（吉林省農業投資集團有限公司）("Nongtou"). During the period under review, the Group entered into a master supply agreement with Jilin Jiliang Assets Supply Chain Management Co., Ltd.（吉林吉糧資產供應鏈管理有限公司）("Jiliang"), an indirect wholly owned subsidiary of Nongtou. The said transaction not only ensures a stable supply of corn, but also allows the Group to ease the pressure on cash flow through longer credit period given by Jiliang.

During the Period, suspension of the Group's production facilities in Luyuan District, Changchun continued, pending for relocation. The sweeteners production of the Group has been carried out in the Shanghai production base and the Jinzhou production base which resumed operation since the fourth quarter of last year. As a result, the revenue of corn syrup segment increased by more than 20%. During the period under review, the operation of the Shanghai production base remained sound, and continued to provide profit contribution and steady cash flow to the Group. Its high fructose corn syrup and other sweeteners products reported satisfactory sales performance with the long-standing support from customers. The Shanghai base has become the Group's multifunctional platform – including research, sales and marketing functions; it is also the sole distributor of GBT in the Huadong Region for the sale of their amino acid and other corn refined products.

In addition, to streamline its business structure, the Group entered into a sales and purchase agreement with the GBT Group during the period under review for the transfer of two subsidiaries of the Company in Changchun to the GBT Group. These two subsidiaries are located within GBT's production base in Luyuan District, Changchun. As the two subsidiaries have been loss-making since 2014, the Group has suspended their operation. If the said transaction is materialised, the Group's cost and operational efficiency will be enhanced, with potential synergies created. The Group will then be able to direct its resources to high value-added markets, and at the same time, eliminate the uncertainties brought by the financial guarantee contracts.

OUTLOOK

Cane sugar production has increased year-on-year in the 2016/17 harvest. However, as it is estimated that the world's sugar consumption volume will exceed supply, the prices of cane sugar and sweeteners are expected to be stabilised, posing a positive outlook for the sweeteners market in the second half of the year.

The state's corn supply side reform will facilitate restoring a market mechanism of domestic corn price. The Group's operations will continue to benefit from lower raw material costs, leading to the gradual recovery in its corn refining business. Nonetheless, as market consolidation in the past years has not totally eliminated overcapacity in the upstream corn refinery, the market is yet to reach equilibrium. It will take some time for the market to recover; as such, it is unlikely to see significant improvement in the price of upstream products in the short run.

The drop in corn price has gradually restored the competitiveness of corn related products in the overseas market. The Group will capitalise on the geographical advantage of Jinzhou to increase its exports to Southeast Asia and other regions. The Jinzhou production site has gradually resumed its upstream production since the end of 2016. It is expected to process 300,000 MT of corn kernel for the full year. With increased capacity utilisation rate, fixed costs per unit will be effectively spread, which will help improve operational efficiency. The downstream corn syrup production line of Jinzhou production site has also resumed operation in the fourth quarter of 2016. The resumption of the downstream production line of Jinzhou production facilities will not only help augment the Group's corn syrup sales, but also increase the consumption of upstream corn starch. With the gradual increase in production volume of the Group's upstream and downstream products, the Group's overall gross profit is expected to increase as the economies of scale gradually kick in. The Group will remain its prudent strategy and continue to diversify its product lines through product research and development, to enhance operation efficiency.

Although the Group still recorded a net loss during the Period, it is encouraging to see substantial improvements in operating results and operating cash flows. Continuous efforts will be made to enhance the financial position of the Company as well as operation efficiency. To stay competitive, the Group will strive to maintain its market share, strengthen its product mix and enhance its capability in developing high value-added products as well as new applications through in-house research and development efforts and strategic business alliance with leading international market players. At the same time, the Group will consolidate its resources towards the development of the Shanghai production base, leveraging on the synergistic effect with the Jinzhou production base to lift the output of upstream corn starch and sweetener products, and increase penetration of high-end markets.

Kong Zhanpeng
Chairman

28 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Global Sweeteners Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also the sole distributor of Global Bio-chem Technology Group Company Limited ("GBT", and together with its subsidiaries, the "GBT Group") in the Huadong Region, selling their lysine and other corn refined products.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2016 (the "2016 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 Company's annual report for the year ended 31 December 2016 ("2016 Annual Report"). Further to the management's 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 2016 Annual Report, the management of the Company wishes to update on certain remedial measures taken or to be taken by the management for the six months ended 30 June 2017 (the "Period"):

1. Financial guarantees contracts

As detailed in the 2016 Annual Report, the Previous Financial Guarantee Contracts were not recognised in the 2016 Financial Statements because the Group was unable to obtain reliable financial information of 長春大金倉玉米收儲有限公司(Changchun Dajincang Corn Procurement Ltd.) (the "Former Supplier" or "Dajincang") starting from year 2010, for the professional valuer to conduct an accurate valuation. During the Period, as a result of similar difficulties encountered by the Group in 2016, no valuation could be proceeded.

As disclosed in the joint announcement of the Company and GBT dated 8 August 2016 and the circular of the Company dated 6 September 2016, new guarantee (the "New Financial Guarantee Contracts") was granted by a subsidiary of the Company, namely, Changchun Dihao Foodstuff Development Co., Ltd., ("Dihao Foodstuff") and other members of the GBT Group to 中國銀行股份有限公司偉峰國際支行(Bank of China Weifeng International Branch) ("BOC") to guarantee the obligations of the Former Supplier under the new facility obtained by the Former Supplier (the "New Supplier Loan"). As at the date of this report, BOC had not taken steps to enforce the New Financial Guarantee Contracts. The amount drawn down by the Former Supplier as at 30 June 2017 and up to the date of this report amounted to RMB2.49 billion (31 December 2016: RMB2.49 billion).

While the Group continues to negotiate with BOC to release the Group from the New Financial Guarantee Contracts, the Group and BOC have also explored other alternatives in case the Former Supplier fails to repay the New Supplier Loan which will consequently trigger the Group's obligations as a guarantor pursuant to the New Financial Guarantee Contracts.

Subsequent to the reporting date, on 21 July 2017, the Group entered into the sale and purchase agreement (the "S&P Agreement") with GBT, for the sale of the entire equity interest in Dihao Foodstuff and Changchun Dihao Crystal Sugar Industry Development Co., Ltd., ("Dihao Crystal Sugar" together with Dihao Foodstuff, the "Target Companies"). Subject to the conditions set out in the S&P Agreement being fulfilled, upon the completion of the transaction which is expected to be on or before 31 December 2017, such financial uncertainties brought to the Group by the possible financial obligations under the New Financial Guarantee Contracts would no longer exist upon Dihao Foodstuff ceasing to be a member of the Group. The assessment of the amount required to be recognised in respect of the New Supplier Loan in the financial statements of the Group as at 31 December 2017 will thus be unnecessary. However, the auditor of the Company may be unable to determine whether any adjustments in respect of the New Financial Guarantee Contracts as at 31 December 2016 were necessary, which may have a significant impact on the financial position of the Group as at 31 December 2016, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ending 31 December 2017.

2. Material uncertainty relating to going concern

With respect to the material uncertainty relating to the Group's ability to continue as a going concern, the Directors have expressed their views and outlined the steps that have been taken and to be taken to improve the Group's financial position in note 2 to the interim condensed consolidated financial statements.

Depending on the successful and favourable outcomes of the proposed steps as set out in note 2 to the interim condensed consolidated financial statements, the Board, including the audit committee of the Company (the "Audit Committee"), is of the view that the Company could continue to operate as a going concern in the foreseeable future, and that the relevant disclaimer opinion may not appear in the final results for the year ending 31 December 2017.

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.

During the Period, the continuous effort of the state government to stimulate economic growth and development has lifted the operating environment in People's Republic of China (the "PRC" or "Mainland China"). While international corn price increased to 426 US cents per bushel (equivalent to RMB1,137 per metric tonne ("MT")) (end of June 2016: 365 US cents per bushel) by the end of June 2017, the average market price of corn kernel in the PRC dropped to approximately RMB1,656 per MT (end of June 2016: RMB1,846 per MT) by the end of June 2017. The decrease in the China corn price was a result of the agricultural reforms subsequent to the publication of an official government 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）dated 19 June 2016 in which the state government confirmed the abolition of the state procurement of corn in Heilongjiang, Jilin, Liaoning and Inner Mongolia Autonomous Region, and the introduction of direct subsidy programme in these provinces in 2016/17 corn harvest season. The scheme has brought stability to corn price in China. In addition, the provincial governments in northeast China introduced direct subsidies to corn refiners which purchase local corn during the harvest months of 2016. For instance, Jilin provincial government and Liaoning provincial government offer subsidies of RMB200 and RMB100 respectively for qualified corn refiners for every MT of corn purchased locally from October 2016 till the end of April 2017 and processed on or before and of June 2017.

The normalised corn price in China enhanced the competitiveness of Chinese corn refined products and other related downstream products in the overseas market, which could also help ease the pressure from overcapacity in the domestic market.

As a result of the improved operating environment of the corn refinery industry, the Group's upstream business for the Period has recorded a gross profit of HK$30.3 million as compared to a gross loss of HK$2.4 million in the corresponding period last year.

As for the sugar market, increased production in various major sugar producing countries has dragged down the international sugar price from the peak of 23.90 US cents per pound in 2016 to 13.68 US cents per pound (equivalent to RMB2,045 per MT) as at 30 June 2017 (30 June 2016: 12.34 US cents per pound). In the PRC, although domestic cane sugar production slightly increased from 9.0 million MT to 9.5 million MT in 2016/17 harvest, and domestic sugar price retreated from its peak of RMB7,119 per MT in 2016, the PRC sugar price continue to stay high at RMB6,654 per MT at the end of June 2017, representing a 14% increase year on year. The increased sugar price in contrast with the decreased corn price has widened the cost difference between cane sugar and corn sweeteners, raising customers' incentive to switch to corn sweeteners. Although estimates from the U.S. Department of Agriculture have shown that the World's sugar production will increase from approximately 165 million MT to approximately 170 million MT in the 2016/17 harvest, there will still be shortage for the year 2017 with the World's sugar consumption volume estimated at 172 million MT. As such, the outlook on sugar and sweetener market remains positive.

While the sweeteners market remains stable, the price of corn kernels in the PRC depends on the direction of the state government agricultural policy. Despite the agricultural reforms have revived the corn refinery industry during the Period, the Group is cautious with changes in macro-economic environment as well as agricultural policy. Notwithstanding the changes in the upstream operating environment, the upstream operation serves as a feedstock of the Group's downstream production which has strategic value to the Group's operation. As such, in response to the ever-changing environment, the Group will closely monitor the market movements and optimise its production scale from time to time.

During the Period, tight cash flow had obstructed the Group from capitalising the full benefits from the agricultural reforms and securing a stable supply of corn kernels. As such, the Group has leveraged on the capability of its indirect controlling shareholder, Jilin Agricultural Investment Group Co., Ltd.（吉林省農業投資集團有限公司，"Nongtou"）, and entered into a master supply agreement with Jilin Jiliang Assets Supply Chain Management Co., Ltd.（吉林吉糧資產供應鏈管理有限公司，"Jiliang"）, an indirect wholly owned subsidiary of Nongtou, for the supply of corn kernel in May 2017. The transactions with Jiliang could ensure a stable supply of corn kernel on the one hand, and allow longer credit period to ease the pressure of the Group's cash flow on the other hand. The Group will continue to strengthen its market position leveraging on its brand name and further improve cost effectiveness through continuous research and development efforts to lower operating costs.

FINANCIAL PERFORMANCE

The Group's consolidated revenue increased by approximately 28.1% to approximately HK$597.7 million (2016: HK$466.5 million) when compared to the corresponding period last year. Benefiting from the improvement of upstream market sentiment and the introduction of agricultural subsidies in Liaoning province since the fourth quarter of 2016, the Group's gross profit increased by approximately 109.4% to HK$82.7 million (2016: HK$39.5 million) year on year and recorded EBITDA (i.e., earnings before interest, taxation, depreciation and amortisation) of HK$5.4 million as compared to LBITDA (i.e., loss before interest, taxation, depreciation and amortisation) of HK$26.0 million for the corresponding period last year. In spite of the improved operation, the Company recorded a net loss of HK$53.5 million (2016: HK$68.6 million) for the Period. It was mainly attributable to the high finance cost and the low utilisation rate of the Group's downstream production facilities in Jinzhou as a result of the intermittent production and the suspension of the Group's production facilities in Changchun pending the relocation to the Xinglongshan Site.

The management has adopted a number of measures to improve financial performance and financial position of the Group, among others, the Group entered into a sale and purchase agreement with GBT in July 2017 to dispose of two subsidiaries in Changchun in order to relieve the financial burden from relocation of the production facilities in Changchun and the New Financial Guarantee Contracts. The Group also signed a corn purchasing agreement with Jiliang, a subsidiary of Nongtou, in May 2017 to ensure a stable supply of corn kernels.

Upstream products

(Sales amount: HK$260.6 million (2016: HK$171.4 million))
(Gross profit: HK$30.3 million (2016: Gross loss: HK$2.4 million))

No revenue from corn procurement was recorded during the Period (2016: HK$65.8 million) as a result of the suspension of corn trading business since February 2016.

During the Period, the sales volume of corn starch and other corn refined products were approximately 71,000 MT (2016: 29,000 MT) and 54,000 MT (2016: 18,000 MT) respectively. Internal consumption of corn starch was approximately 55,000 MT (2016: 3,000 MT), which was mainly used as raw material for production of downstream products in the Group's Jinzhou and Shanghai production sites.

The average selling prices of corn starch decreased by approximately 8.1% to HK$2,165 per MT (2016: HK$2,356 per MT) while selling prices of other corn refined products slightly increased by approximately 0.3% to HK$1,985 per MT (2016: HK$1,979 per MT) as compared to the corresponding period last year. Benefiting from the agricultural subsidies from the provincial government to qualified corn refiners since the fourth quarter of 2016 whereby the Group received subsidies in the amount of HK$22.6 million during the Period (2016: Nil), and the lower raw material cost as a result of the PRC agricultural policy reform, the overall performance of the Group's upstream business improved during the period under review. The gross profit margin of the corn starch segment increased to approximately 16.6% (2016: 2.0%) while the other corn refined products segment recorded a gross profit of approximately 4.4% as compared to a gross loss margin of 10.3% for the corresponding period last year.

The Group has been the sole distributor of GBT for the sales and marketing of their upstream corn refined products in the Huadong Region since 2016. During the Period, the trading of GBT's upstream products amounted to HK$1.5 million (2016: Nil).

Corn syrup

(Sales amount: HK$247.5 million (2016: HK$203.5 million))
(Gross profit: HK$45.7 million (2016: HK$33.9 million))

During the Period, revenue of corn syrup increased by 21.6% to approximately HK$247.5 million (2016: HK$203.5 million). It was mainly attributable to the increase in sales volume by 33.3% to approximately 92,000 MT (2016: 69,000 MT) as a result of the resumption of Jinzhou production facilities since the last quarter of 2016. Gross profit increased by 34.8% to approximately HK$45.7 million (2016: HK$33.9 million) as the Group focused on serving high-end markets around Shanghai. As a result, the gross profit margin of corn syrup increased to 18.5% (2016: 16.7%).

Corn syrup solid

(Sales amount: HK$83.4 million (2016: HK$87.0 million))
(Gross profit: HK$6.2 million (2016: HK$7.8 million))

No sales of crystallised glucose was recorded during the Period as a result of the suspension of the Changchun production facilities. During the Period, revenue and gross profit of corn syrup solid, all of which was contributed by the sale of maltodextrin, decreased by approximately 4.1% and 20.5% respectively to HK$83.4 million (2016: HK$87.0 million) and HK$6.2 million (2016: HK$7.8 million) respectively. Such decrease was mainly attributable to the decrease in the selling price of maltodextrin by 15.5% to approximately HK$2,269 per MT (2016: HK$2,686 per MT). As a result, the gross profit margin decreased to 7.4% (2016: 9.0%).

Trading of amino acids

(Sales amount: HK$6.2 million (2016: HK$4.6 million))
(Gross profit: HK$0.5 million (2016: HK$0.2 million))

The Group has entered into a master sales agreement with the GBT Group since 2016 for the marketing and selling of their lysine and other corn refined products in the Huadong Region. Results of trading of corn starch and other corn refined products are included in the financial results of upstream products. Results of the trading segment includes only those of amino acids.

During the Period, revenue and gross profit of the trading segment increased to approximately HK$6.2 million (2016: HK$4.6 million) and approximately HK$0.5 million (2016: HK$0.2 million) respectively with a gross profit margin of 8.1% (2016: 4.3%). The trading business has created synergistic effects to the Group's business and allowed the Group to offer more diversified product mix to its customers.

Export sales

During the Period, the Group exported approximately 27,000 MT (2016: 21,000 MT) of upstream corn refined products and approximately 83 MT (2016: 200 MT) of corn sweeteners. As a result of the drop in average selling price of upstream corn refined product and sales volume of sweetener products, the export sales of upstream corn refined products and corn sweeteners decreased to approximately HK$35.9 million (2016: HK$39.5 million) and approximately HK$0.2 million (2016: HK$0.7 million) respectively. With the Group's revenue increased by 28.1% during the Period as compared to corresponding period last year, export sales to the Group's total revenue thus decreased to approximately 6.0% (2016: 8.6%).

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

Other income and gains

During the Period, other income of the Group increased by 10.8% to approximately HK$16.4 million (2016: HK$14.8 million). Such increase was mainly attributable to the reversal of impairment of other receivables during the Period which amounted to approximately HK$10.6 million (2016: HK$0.4 million), partly offset by the decrease in interest income on other receivables of HK$4.5 million.

Selling and distribution expenses

During the Period, the selling and distribution expenses increased by 61.3% to approximately HK$57.1 million (2016: HK$35.4 million), accounting for 9.6% (2016: 7.6%) of the Group's revenue. Such increase was mainly attributable to the increase in sales volume and export sales volume which incurred a higher transportation cost and handling fee.

Administrative expenses

During the Period, administrative expenses increased to approximately HK$51.6 million (2016: HK$40.4 million), representing 8.6% (2016: 8.7%) of the Group's revenue. Such increase was mainly attributable to the resumption of depreciation and amortisation of parcels of land and properties located in the Luyuan District as a result of the termination of the agreement for the disposal of such land and properties as announced by the Company on 2 March 2017. In 2016, the relevant land and properties was classified as non-current assets held for sale without depreciation and amortisation charged to profit or loss.

Other expenses

During the Period, other expenses of the Group decreased to approximately HK$18.8 million (2016: HK$21.4 million). It was mainly attributable to the resumption of part of the production facilities in Jinzhou. As such, expense reallocated from cost of sales due to idle capacity of the Jinzhou production facilities of the Group decreased by 24.2% to approximately HK$9.4 million during the Period (2016: HK$12.4 million).

Finance costs

During the Period, finance costs of the Group decreased to approximately HK$23.0 million (2016: HK$25.5 million) as a result of the reduction in the average interest rate to approximately 5.2% (2016: 5.8%).

Income tax expense

Although the Group recorded a net loss during the Period, certain subsidiaries of the Company in the PRC generated net profit which was subject to the PRC enterprise income tax. As a result, income tax expense amounted to approximately HK$2.1 million was provided for the Period (2016: HK$0.2 million).

Net loss attributable to shareholders

As a result of the improved operating environment, the Group's net loss was narrowed to approximately HK$53.5 million (2016: HK$68.6 million) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest bearing borrowings and net borrowing position

As at 30 June 2017, the Group's bank borrowings increased by 20.7% to approximately HK$975.6 million (31 December 2016: HK$808.3 million), all of which (31 December 2016: 100.0%) was denominated in Renminbi. During the Period, bank borrowings amounted to HK$169.9 million was obtained to repay the amount due to fellow subsidiaries while an increment of HK$18.4 million in bank borrowings was a result of exchange rate adjustment as of 30 June 2017. The average interest rate during the Period decreased to approximately 5.2% (31 December 2016: 5.8%) per annum as a result of the decrease in the PRC interest rate. As at 30 June 2017, all of the Group's bank borrowings are charged which reference to floating interest rate.

Considering the management's continuous efforts in monitoring the cash flow of the Company and in maintaining good relationship with banks, the Group has not experienced any difficulties in renewing the existing banking facilities as of the date of this report.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 30 to 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Period, the trade receivables turnover days decreased to 48 days (31 December 2016: 71 days) which was attributable to the strengthened credit control of the Group.

During the Period, trade payables turnover days slightly decreased to approximately 55 days (31 December 2016: 58 days) as part of the cash flow management.

As at 30 June 2017, the inventory level increased by 32.2% to approximately HK$148.5 million (31 December 2016: HK$112.3 million) which was mainly attributable to the increase in utilisation rate of Jinzhou corn refinery in 2017. Consequently, the inventory turnover days increased to approximately 52 days for the Period (31 December 2016: 46 days).

The current ratio and quick ratio as at 30 June 2017 remained at approximately 0.4 (31 December 2016: 0.4) and approximately 0.3 (31 December 2016: 0.3) respectively. Gearing ratio in terms of debts (i.e. total interest-bearing bank borrowings) to total equity and debts (i.e. aggregate total of shareholders equity, non-controlling interests and total interest-bearing bank borrowings) was approximately 104.8% (31 December 2016: 98.5%).

FOREIGN EXCHANGE EXPOSURE

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, while export sales accounting for 6.0% of the Group's revenue in which most of these transactions were denominated in US Dollars. The management of the Company have been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and is of the view that there is no material unfavourable exposure to foreign exchange fluctuation in the short run. Therefore, the Group currently does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. 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 share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

In the short run, the Group will consolidate its resources towards the development of the Shanghai production base, leveraging on the synergistic effect with the Jinzhou production base for the supply of raw materials/ sweeteners products to serve the respective Huadong market.

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.

With respect to the financial position of the Group, the management will endeavor to overcome the challenges and adopt a prudent approach in face of the current market condition.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2017, the Group has approximately 1,140 (31 December 2016: 1,130) 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 in the selection and recruitment of new staff, on-the-job training, appraisal and rewards to 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 bonuses.

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend in respect of the Period (six months ended 30 June 2016: Nil).

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests and short positions in the shares ("Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Directors and chief executives of the Company as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

Name of Director	**The Company/name of associated corporation**	**Capacity/ nature of interest**	**Number and class of securities held** (Note 1)	**Percentage of the relevant class of issued share capital of the Company/ associated corporation** (Note 2)
Mr. Kong Zhanpeng	The Company	Interest of a controlled corporation	1,984,000 Shares (L) (Note 3)	0.13
	GBT	Beneficial owner	18,256,000 ordinary shares of HK$0.10 each (L)	0.29
	GBT	Interest of a controlled corporation	241,920,000 ordinary shares of HK$0.10 each (L) (Note 4)	3.78

Notes:

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

2. On the basis of number of shares of the Company or its associated corporation in issue as at 30 June 2017.

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

4. These 241,920,000 shares are held by Hartington Profits Limited.

Saved as disclosed above, as at 30 June 2017, none of the Directors and the chief executives of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' 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 Directors or any person in whose shares and debentures any Directors is deemed to be interested under Part XV of the SFO, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	**Capacity/nature of interest**	**Number of Shares held** (Note 1)	**Percentage of Company's issued share capital** (Note 2)
Global Corn Bio-chem Technology Company Limited ("Global Corn Bio-chem")	Beneficial owner	977,778,000 Shares (L)	64.01
GBT	Interest of a controlled corporation (Note 3)	977,778,000 Shares (L)	64.01
	Beneficial owner	500,000 Shares (L)	0.03
Modern Agricultural Industry Investment Limited	Interest of a controlled corporation (Note 4)	978,278,000 Shares (L)	64.04

Notes:

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

2. On the basis of 1,527,586,000 Shares in issue as at 30 June 2017.

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

4. These Shares are registered in the name of or deemed to be interested by GBT, which is owned as to approximately 49% by Modern Agricultural Industry Investment Limited. The entire issued capital of Modern Agricultural Industry Investment Limited is held by Modern Agricultural Industry Investment Holdings Limited which is in turn 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 ("GP"). As at 30 June 2017, GP is wholly owned by Nongtou and 40% of the investment capital of PRC LLP is owned by Nongtou. 20% of the investment capital of PRC LLP is owned by 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou"). As announced by GBT on 2 March 2017, an agreement was entered into between Jiaotou and Nongtou on 27 February 2017 for the transfer by Jiaotou to Nongtou of its investment capital in PRC LLP. During the transition period from the date of the above agreement to the completion of such transfer, Nongtou shall manage the above transferred interest on behalf of Jiaotou. As such, by virtue of Nongtou's control over PRC LLP, Nongtou has become the indirect controlling shareholder of GBT. Nongtou is controlled by State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province ("SASAC of Jilin Province"). Each of Modern Agricultural, Modern Agricultural Industry Investment Holdings Limited, PRC LLP, GP, Jiaotou, Nongtou and SASAC of Jilin Province are deemed to be interested in the interest held by GBT.

Saved as disclosed above, no person, other than the Directors and chief executives of the Company, as of 30 June 2017, had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DISCLOSURE OF ADDITIONAL INFORMATION

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

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

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

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. On 23 March 2017, Mr. Wang Jian has resigned as an executive Director and has ceased to be the chairman but remains as chief executive officer of the Company. Mr. Kong Zhanpeng has been appointed as the chairman, as a result, the roles of chairman and chief executive officer are separate and exercised by different person.

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the Period.

AUDIT COMMITTEE

The Audit Committee 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 all three independent non-executive Directors. As at the date of this report, the chairman of the Audit Committee is Mr. Yuen Tsz Chun, and the other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Lo Kwing Yu.

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

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee.

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

The members of the remuneration committee of the Company (the "Remuneration Committee") comprise of an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, being Mr. Ho Lic Ki and Mr. Lo Kwing Yu. Mr. Ho Lic Ki is the chairman of the Remuneration Committee. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, as well as on the Group's policy and structure for the remuneration of Directors and senior management. The Remuneration Committee also assesses performance of executive Directors and approves the terms of executive Directors' service contracts.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes. The Corporate Governance Committee comprises of an executive Director, Mr. Kong Zhanpeng, and two independent non-executive Directors, being Mr. Ho Lic Ki and Mr. Yuen Tsz Chun. The chairman of the Corporate Governance Committee is Mr. Yuen Tsz Chun.

Save as disclosed in the paragraph headed "Compliance with the corporate governance code and model code" in this report, the Corporate Governance Committee reviewed the Company's policies and practices on corporate governance, and considered that the Company has complied with all code provisions in the CG Code during the Period.

CONTINUING CONNECTED TRANSACTIONS EXECUTIVE COMMITTEE

The continuing connected transactions executive committee of the Company (the "CCT Executive Committee") is responsible for monitoring, reviewing and managing the continuing connected transactions (the "CCT") between the Group on one part and the GBT Group on the other part. The main duties of the CCT Executive Committee are to prepare the CCT reports and submitting the same to the CCT Supervisory Committee on regular basis. The members of the CCT Executive Committee are Mr. Wang Hongshan and Mr. Wen Gang, both being senior management of the Group.

CCT SUPERVISORY COMMITTEE

The CCT Supervisory Committee that comprises all independent non-executive Directors was established by the Board to supervise the CCT Executive Committee. The main responsibilities of the CCT Supervisory Committee, among others, are:

(1) to devise and revise detailed rules and guidelines ("Prescribed Guidelines") from time to time for the CCT Executive Committee to follow in order to ensure that the CCT with the GBT Group, which are not qualified for exemptions or waivers from shareholders' approval, annual review and disclosure requirements under Chapter 14A of the Listing Rules ("Non-exempt CCT"), will be entered into in accordance with the respective agreements ("Master Agreements") entered into between the Group and the GBT Group, on normal commercial terms and on terms that are fair and reasonable and in the interests of the shareholders as a whole;

(2) to review, on a quarterly basis, the quarterly reports submitted by the CCT Executive Committee in relation to purchase of corn starch from the GBT Group by the Group and the distribution of lysine and other corn refined products of the GBT Group by the Group ("Proposed Sale and Purchase and Consignment Sale") as to whether they have been proceeded with in accordance with the Prescribed Guidelines (the "CCT Quarterly Reports");

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

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

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

(1) the Group shall not purchase corn starch from the GBT Group, distribute the lysine and other corn refined products of the GBT Group or obtain the Utility Services from the GBT Group, unless the GBT Group shall agree that the purchase prices and fees payable and other commercial terms for these transactions shall be determined in the manner as prescribed under the Prescribed Guidelines;

(2) in order to ascertain the prevailing market rates of corn starch in the form of starch slurry or powder from time to time and to ensure that the terms offered by the GBT Group to the Group are on normal commercial terms, pursuant to the Prescribed Guidelines, the CCT Executive Committee would obtain market selling prices of corn starch according to the following procedures:

    (i) the CCT Executive Committee will obtain quotation from at least one (or such other number as shall be determined by the CCT Supervisory Committee from time to time) independent third party supplier(s) and compare it with the terms offered by the GBT Group for supply of corn starch of comparable quantities and specifications to its independent third party customers;

    (ii) the total purchase price and terms for the purchase of corn starch in the form of corn starch slurry shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its independent customers, less the unit transportation, storage, insurance, dehydration and/or packaging costs saved by reason of the supply of corn starch in slurry form which would otherwise be payable to the GBT Group by its independent customers for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such independent supplier(s) for the relevant month up to the price determination date; and

    (iii) the total purchase price and terms for the purchase of corn starch in the form of corn starch powder shall be determined by using the lower of (i) the average unit selling price of corn starch offered by the GBT Group to its independent customers for the relevant month up to the price determination date; and (ii) the quotations from independent supplier(s) for purchase of corn starch of comparable specifications and quantities plus (if not included as part of the purchase price) any additional cost (such as transportation, storage and/or insurance costs) to be incurred by the Group in order for the Group to purchase corn starch from such independent supplier(s) for the relevant month up to the price determination date.

(3) in respect of the distribution of lysine and other corn refined products of the GBT Group by the Group:

(i) prior to, for any calendar month, the sale of any lysine and other corn refined products of the GBT Group by the Group as a distributor of the GBT Group in the Huadong Region, to the customers of the Group, and the purchase of the consignment stock of lysine and other corn refined products, the CCT Executive Committee should obtain from the GBT Group the prevailing ex-factory price of the relevant lysine and other corn refined products and other major commercial terms (including credit terms) then offered by the GBT Group to its independent third party distributors or customers of the relevant calendar month; and

(ii) the supply and sale of the consignment stock of lysine and other corn refined products by the GBT Group to the Group in the relevant calendar month should be settled within seven business days before the end of the relevant calendar month (the "Lysine Settlement Date"). The purchase price of the consignment stock of lysine and other corn refined products sold by the Group during the relevant calendar month shall be the prevailing ex-factory price of the relevant lysine and other corn refined products then offered by the GBT Group, plus the actual additional packaging, transportation and/or insurance costs to be incurred by the GBT Group for the transportation and delivery of the relevant lysine and other corn refined products to the facilities of the members of the Group as from time to time designated by the Group. The CCT Executive Committee should obtain from the GBT Group before Lysine Settlement Date the evidences and detailed calculation of the actual costs of additional packaging, transportation and/or insurance cost incurred by the GBT Group.

(4) the CCT Executive Committee shall submit to the CCT Supervisory Committee a quarterly report within 15 days from the end of each quarter in relation to the Proposed Sale and Purchase and Consignment Sale during the quarter;

(5) in the event that there is any deviation from the terms of the relevant Master Agreements and/or any non-compliance with the Prescribed Guidelines in respect of any Non-exempt CCT entered into by any member of the Group during the period covered by the quarterly report, the CCT Supervisory Committee may request the Group to take such procedures (including price adjustments) as the CCT Supervisory Committee may consider appropriate to rectify such deviation or non-compliance; and

(6) the auditor of the Company will be engaged to review the Non-exempt CCT on a quarterly basis, and shall report to the CCT Supervisory Committee the result of their review. Such report shall be in compliance with the requirements under Rule 14A.56 of the Listing Rules.

Details of findings of CCT Supervisory Committee for the Period have been published on 2 June 2017 and 22 August 2017. As reported by the CCT Supervisory Committee, (i) the Proposed Sale and Purchase and Consignment Sale conducted during the Period were in line with the Prescribed Guidelines; (ii) the fees charged by the GBT Group in respect of the Utility Services during the Period have been charged in accordance with the relevant Master Agreements; and (iii) there was no other matter that needs to be brought to the attention of the shareholders of the Company.

SHARE OPTION SCHEME

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

There was no outstanding option pursuant to the Scheme as at 1 January 2017, and no option was granted pursuant to the Scheme during the Period.

DISCLOSURE OF ADDITIONAL INFORMATION

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Relocation of production facilities to the Xinglongshan site

Reference is made to the circulars of the Company dated 3 June 2016 and 21 March 2016, and the announcements of the Company dated 31 March 2014 and 31 March 2015, respectively, in relation to among others, the suspension and relocation of production facilities of the Group at Luyuan District in Changchun pending its relocation of production facilities to the Xinglongshan site.

The Group is in the process of obtaining the necessary approvals from the relevant bodies and finalising facilities designs. Subject to the obtaining of the approvals of such relocation plans, the expected updated timeframe is as follows:

Products of the Group to which the production facilities relate	**Production capacity of the relevant production facilities to be relocated** *(metric tonne per annum)*	**Expected time for the relocation of production facilities**
Maltodextrin (phase 1)	30,000	July 2017 — June 2018
Maltodextrin (phase 2)	30,000	July 2017 — June 2018
Crystallised glucose	100,000	September 2017 — August 2018
*Glucose/maltose	60,000	Completed
Corn refinery	600,000	July 2018 — June 2019

* Construction was completed in March 2017 and commenced trial run in April 2017.

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

Transfer of two subsidiaries in Changchun from the Group to GBT Group

As announced by the Company on 21 July 2017, the Group entered into an agreement (the "S&P Agreement") with the GBT Group for the disposal of the entire equity interest (the "Sale Interest") of two subsidiaries of the Company, namely Dihao Foodstuff and Dihao Crystal Sugar in Changchun (the "Transaction"). As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 25% but less than 75%, the Transaction constitutes a major transaction in relation to disposal of the Company under Rule 14.06 of the Listing Rules. Besides, as the purchaser is wholly-owned by GBT (a controlling shareholder of the Company) and hence is an associate of GBT, the Transaction also constitutes a connected transaction for the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Pursuant to the S&P Agreement, the GBT Group has conditionally agreed to purchase the Sale Interest. The consideration for the Sale Interest is HK$60,971,000 which shall be payable by the GBT Group at completion of the Transaction (the "Completion"). The consideration was determined after arm's length negotiations between the Group and GBT Group with reference to the net asset value of the Target Companies and the fair value of the Target Properties which is based on current use (i.e. industrial).

From management perspective, the Target Companies are both situated in Changchun, the PRC where the major production facilities of GBT Group are situated while all other production facilities of the Group are situated elsewhere in the PRC. As such, the Transaction would enable the Target Companies to be managed under the ambit of GBT Group with other members of GBT Group in Changchun, which could enhance the cost and operational efficiency, create potential synergies and reduce the connected transactions between the Group and GBT Group.

The Target Companies have been loss-making since 2014, due to the concentration of low-end users in the sweeteners market in Northeast China, economic slowdown in China in the past years and the protectionist agricultural policy in favour of farmers. As such, the Group has suspended/optimised operation of the Target Companies since March 2014. The continued operation of the Target Companies in Luyuan District will continue to exert pressure to the Group's cash flow. Although the Target Companies can take the opportunity of relocating their production facilities to the Xinglongshan site to restructure the product mix and capacity to better suit local market needs, the relocation plan is expected to incur HK$202.9 million of capital expenditure, in addition to working capital of HK$255.4 million upon the resumption of operation. This will pose further pressure on the financial position of the Group. As such, the Group will be financially burdened to maintain the Target Companies, no matter whether they are in operation or to be relocated. The Transaction will enable the Company to direct its resources to high value-added markets, while GBT could operate with higher flexibility with a feedstock in place to better supply its downstream production.

The Target Companies and certain members of GBT Group are owners of certain land and buildings in Luyuan District in Changchun. As announced by the Company and GBT on 14 April 2016 and 2 March 2017, such land and buildings are intended to be disposed of. Notwithstanding the production site in Luyuan District is planned for rezoning to non-industrial use, the current land use right held by the Target Companies is still under the category of industrial land use. It is uncertain whether and when the rezoning of the land would take place, if at all. As the part of land owned by the Target Companies accounts for approximately one-fifth of the total site area in Luyuan District, it would be more efficient for GBT to be in charge of the negotiation, valuation of land and execution of the land transfer as quicker decision-making process and less administrative hurdles are expected if only one party is involved. Since it is uncertain as to the timetable of the completion of the disposal of land, it could linger for a much longer time than expected for both the Company and GBT to reach a final decision on the disposal. The Transaction could help expedite the process of negotiation with potential buyer as well as process of completion as such transaction would be handled by the management of GBT Group without involving management of the Group. At the same time, the Company could concentrate its effort in the operation in other operation sites.

In addition, as announced by the Company and GBT on 8 August 2016, Dihao Foodstuff is one of the guarantors to the Supplier Loan. As the other guarantors for the Supplier Loan are all members of GBT Group but not the Group, the Transaction could relieve the Group from the potential liability from such guarantee but without adding additional financial burden to GBT Group.

Based on the aggregate net book value of the Target Companies of approximately HK$5,234,000 as of 30 June 2017, and the consideration for the Sale Interest of HK$60,971,000, it is expected that the unaudited gain before taxation accrued to the Group as a result of the Transaction would be approximately HK$55,737,000.

Completion is conditional upon fulfillment of certain conditions. Following the Completion, the Target Companies will cease to be the subsidiaries of the Company and the financial results of the Target Companies will cease to be consolidated into those of the Company. Based on the interim condensed consolidated financial statements of the Group as at 30 June 2017, it is estimated that immediately after Completion, the non-current assets, current assets, current liabilities and non-current liabilities of the Group will decrease to HK$533.8 million, HK$513.5 million, HK$1,031.7 million and HK$4.6 million respectively. The net assets of the Group will increase to HK$11.0 million.

For details of the Transaction, please refer to the joint announcement of the Company and GBT dated 21 July 2017 and the circular of the Company dated 21 August 2017.

DISCLOSURE OF ADDITIONAL INFORMATION

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Reference is made to the joint announcement of the Company and GBT dated 31 October 2016. Under the various loan agreements (the "Loan Agreements") entered into between Jinzhou Yuancheng Bio-chem Technology Co., Ltd. （錦州元成生化科技有限公司）("Jinzhou Yuancheng"), which is an indirect wholly owned subsidiary of the Company, and Jinzhou Branch of China Construction Bank（中國建設銀行股份有限公司錦州分行）(the "Lender") in respect of a 18-months fixed term loan in the aggregate principal amount of RMB224.0 million guaranteed by certain members of the Group (the "Loan"), Jinzhou Yuancheng is required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. On 25 August 2017, Jinzhou Yuancheng signed various renewal agreements to renew the Loan Agreements in aggregate principal amount of RMB218.0 million pursuant to which the due date of the Loan has been extended to September 2018. Based on the unaudited management accounts of Jinzhou Yuancheng for the six month ended 30 June 2017, Jinzhou Yuancheng has failed to fulfill certain financial covenants under the Loan Agreements. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions ("Cross Default") in other loan agreements entered into by the Group in the aggregate outstanding principal amount of RMB205.8 million. Save for the Cross Default, the breach has not resulted in any triggering of cross default provisions of other loan agreements and/or banking facilities entered into by the Group or the GBT Group.

The Group has yet to receive a waiver from the Lender for waiver of such breach. Despite the above non-compliance, the Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. The Group is also in the process of applying for relevant waivers from other lenders in relation to the breach of the Cross Default. Further announcement(s) regarding the Loan and status of the waivers will be made as and when appropriate.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

As announced by the Company on 31 March 2015, financial guarantees were first granted by certain subsidiaries of the Company in respect of the indebtedness of Dajincang due to BOC during November 2010 to March 2015.

As disclosed in the joint announcement of the Company and GBT dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the previous loan advanced by BOC to Dajincang expired between August to November 2016. To avoid immediate demand for full repayment of the previous supplier loan by the guarantors or any of them pursuant to the Previous Financial Guarantee Contracts, new loan agreements were entered into by the Former Supplier and BOC, and the New Financial Guarantee Contracts with the maximum guaranteed amount of RMB2.5 billion were granted by a subsidiary of the Company and other members of the GBT Group to BOC to guarantee the obligations of the Former Supplier under the new supplier loan.

The maximum principal amount guaranteed under the New Financial Guarantee Contracts is 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 New Financial Guarantee Contracts in its interim and annual reports during the relevant periods when the New Financial Guarantee Contracts are in effect.

For further information in relation to the above mentioned matters, refer to the announcements of the Company dated 31 March 2015 and 8 August 2016, and the circular of the Company dated 6 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
REVENUE	4	**597,682**	466,542
Cost of sales		**(514,946)**	(427,009)
Gross profit		**82,736**	39,533
Other income and gains	4	**16,367**	14,806
Selling and distribution expenses		**(57,073)**	(35,390)
Administrative expenses		**(51,633)**	(40,372)
Other expenses		**(18,835)**	(21,396)
Finance costs	5	**(22,956)**	(25,529)
LOSS BEFORE TAX	6	**(51,394)**	(68,348)
Income tax expense	7	**(2,118)**	(210)
LOSS FOR THE PERIOD		**(53,512)**	(68,558)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss subsequently:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(3,244)**	—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(56,756)**	(68,558)
Loss attributable to:			
Owners of the Company		**(53,512)**	(68,558)
Non-controlling interests		**—**	—
		(53,512)	(68,558)
Total comprehensive loss attributable to:			
Owners of the Company		**(56,619)**	(68,558)
Non-controlling interests		**(137)**	—
		(56,756)	(68,558)
LOSS PER SHARE	8		
Basic		**HK(3.50) cents**	HK(4.49) cents
Diluted		**HK(3.50) cents**	HK(4.49) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	804,679	780,869
Prepaid land lease payments		141,107	140,615
Deposits paid for acquisition of property, plant and equipment		964	170
Goodwill		—	—
Other intangible assets		3,243	3,243
		949,993	924,897
CURRENT ASSETS			
Inventories		148,539	112,346
Trade and bills receivables	11	157,156	193,026
Prepayments, deposits and other receivables	12	80,487	65,530
Pledged deposits		55,234	—
Cash and cash equivalents		99,330	116,972
		540,746	487,874
CURRENT LIABILITIES			
Trade and bills payables	13	155,268	140,697
Other payables and accruals		251,010	204,216
Interest-bearing bank borrowings		771,023	608,333
Due to fellow subsidiaries	17(c)	93,004	190,636
Tax payable		24,584	23,202
		1,294,889	1,167,084
NET CURRENT LIABILITIES		(754,143)	(679,210)
TOTAL ASSETS LESS CURRENT LIABILITIES		195,850	245,687
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		204,545	200,000
Deferred income		32,227	31,600
Deferred tax liabilities		3,854	2,107
		240,626	233,707
NET (LIABILITIES)/ASSETS		(44,776)	11,980
CAPITAL AND RESERVES			
Share capital	14	152,759	152,759
Reserves		(191,605)	(134,986)
(Deficit)/Equity attributable to owners of the Company		(38,846)	17,773
Non-controlling interests		(5,930)	(5,793)
TOTAL (DEFICIT)/EQUITY		(44,776)	11,980

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Acc-umulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity/ (deficit) HK$'000
At 31 December 2016 and 1 January 2017	152,759	1,074,879	41,500	65,949	315,334	–	(1,632,648)	17,773	(5,793)	11,980
Loss and other comprehensive loss for the Period	–	–	–	–	(3,107)	–	(53,512)	(56,619)	(137)	(56,756)
At 30 June 2017 (Unaudited)	152,759	1,074,879	41,500	65,949	312,227	–	(1,686,160)	(38,846)	(5,930)	(44,776)

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Exchange fluctuation reserve HK$'000	Share option reserve HK$'000	Acc-umulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2015 and 1 January 2016	152,759	1,074,879	57,542	59,817	303,873	9,440	(1,473,598)	184,712	(6,225)	178,487
Loss and other comprehensive loss for the Period	–	–	–	–	–	–	(68,558)	(68,558)	–	(68,558)
Transfer	–	–	–	5,716	–	–	(5,716)	–	–	–
At 30 June 2016 (Unaudited)	152,759	1,074,879	57,542	65,533	303,873	9,440	(1,547,872)	116,154	(6,225)	109,929

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(51,394)	(68,348)
Adjustments for:			
Finance costs	5	22,956	25,529
Bank interest income	4	(279)	(408)
Depreciation	6	30,325	14,748
Gain on disposal of property, plant and equipment	4	(10)	—
Amortisation of prepaid land lease payments	6	3,494	2,077
Provision for impairment of trade receivables, net	6	1,332	3,294
Reversal of write-off of trade receivables	4	—	(1,093)
Interest income on other receivables	4	—	(4,539)
Reversal of impairment of other receivables, net	4	(10,577)	(389)
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	4	(91)	—
(Reversal of write-down)/write-down of inventories	6	(326)	535
		(4,570)	(28,594)
(Increase)/decrease in inventories		(32,566)	32,995
Decrease/(increase) in trade and bills receivables		38,030	(17,050)
Increase in prepayments, deposits and other receivables		(2,591)	(20,775)
Increase/(decrease) in trade and bills payables		11,121	(51,626)
Increase in other payables and accruals		41,216	39,356
Cash generated from/(used in) operations		50,640	(45,694)
Interest received		279	408
Overseas taxes paid		(2,137)	(1,111)
Net cash flows generated from/(used in) operating activities		48,782	(46,397)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(38,444)	(14,495)
Proceeds from disposal of property, plant and equipment		72	—
Net cash flows used in investing activities		(38,372)	(14,495)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings	**277,616**	539,286
Repayment of bank borrowings	**(128,750)**	(562,499)
Interest paid	**(22,956)**	(25,529)
(Decrease)/increase in amounts due to fellow subsidiaries	**(99,699)**	133,630
(Increase)/decrease in pledged deposits	**(55,234)**	19,834
Net cash flows (used in)/generated from financing activities	**(29,023)**	104,722
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(18,613)**	43,830
Cash and cash equivalents at beginning of period	**116,972**	61,106
Effect of foreign exchange rate changes, net	**971**	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**99,330**	104,936

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the Period are authorised for issue in accordance with a resolution of the Directors passed on 28 August 2017.

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

Going Concern

The Group has incurred losses since 2012 and recorded a net loss of approximately HK$53.5 million (six months ended 30 June 2016: approximately HK$68.6 million) for the Period and as at 30 June 2017, net current liabilities of approximately HK$754.1 million (31 December 2016: approximately HK$679.2 million) and net liabilities of approximately HK$44.8 million (31 December 2016: net assets of approximately HK$12.0 million). In addition, any potential liabilities or obligations arising from the Financial Guarantee Contracts as discussed in note 15 to the interim condensed consolidated financial statements may have a significant negative impact on the liquidity position of the Group. There is a material uncertainty related to these conditions that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In view of these circumstances, the management of the Company has taken the following steps to improve the Group's financial position.

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

Going Concern *(continued)*

1) *Continue negotiation with banks to restructure its debts*

Reference is made to the 2016 Annual Report, while the Group continued to maintain good relationship with the major lender banks in Changchun, the Group has been actively looking into other alternatives to strengthen the financial position of the Group. A debt-equity swap proposal for the restructure of the debt of the Company's subsidiaries in Changchun has been submitted to the Jilin Provincial Government for consideration. During the Period, the management of the Group and the GBT Group had been working with the relevant professional parties on fine-tuning the proposal. The management believes that the financial position of the Group will improve if the proposal is materialised.

2) *Transfer of two subsidiaries in Changchun to the GBT Group*

As announced by the Company and GBT on 21 July 2017, the Group entered into an agreement with the GBT Group for the sale and purchase of the two subsidiaries of the Company, Dihao Foodstuff and Dihao Crystal Sugar.

The Target Companies are both situated in Changchun, the PRC and have been loss-making since 2014. As such, the Group has suspended/optimised operations of the Target Companies since then. The Transaction will enable the Group to direct its resources to high value-added markets.

In addition, as announced by the Company and GBT on 8 August 2016, Dihao Foodstuff is one of the guarantors to the indebtedness due and owing by Changchun Dajincang Corn Procurement Co., Ltd. ("Dajincang"), a former supplier of the Group, to Bank of China Weifeng International Branch with maximum guaranteed amount of RMB2.5 billion (the "New Supplier Loan"). As the other guarantors for the New Supplier Loan are all members of the GBT Group but not the Group, the Transaction could relieve the Group from the potential liability from such guarantee but without adding additional financial burden to the GBT Group.

Following the completion of the Transaction, the Target Companies will cease to be the subsidiaries of the Company and the financial results of the Target Companies will cease to be consolidated into those of the Company. It is estimated that after completion of the Transaction, the financial performance of the Group will improve.

3) *Monitoring of the Group's operating cash flows*

The Group has taken various measures to tighten cost controls over production costs and expenses with the aim to attain profitable and positive cash flow operations. During the Period, the Group has optimised its production in order to minimise operating cash outflows.

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

Going Concern *(continued)*

4) Financial support from the indirect controlling shareholder of GBT

In March 2016, the Group received a written confirmation (the "Confirmation") from the then ultimate holding entity of a major shareholder of GBT, that it will provide financial support to the Group for its operation on a going concern basis and undertake all the liabilities that may arise from the Financial Guarantee Contracts. The Confirmation will expire in September 2017. As announced by GBT on 2 March 2017, Nongtou, an entity controlled by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province, became an indirect controlling shareholder of GBT. The Group had received a written confirmation from Nongtou that it will provide financial support to the Group for its operation on a going concern basis and undertake all the liabilities that may arise from the Financial Guarantee Contracts. Such assistance received by the Group is not secured by any assets of the Group. In addition, the Group signed a corn purchasing agreement with Jiliang, a subsidiary of Nongtou, in May 2017 to ensure a stable supply of corn kernels and to lower the cost of raw material.

Nongtou, being a State-owned enterprise, was established in August 2016 and its paid up registered capital amounted to RMB461.1 million at 30 June 2017, is tasked to consolidate the State-owned investments in the agricultural sector in Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group and the GBT Group, to provide synergistic effects among its various investments in the agricultural sector in Jilin Province and provide adequate and sufficient financial support to the Group and the GBT Group.

The validity of the going concern basis on which the interim condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the management of the Company and the development of the events as described above. Based on the measures as outlined above, the management of the Company considers that the Group would be able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future. Therefore, the interim condensed consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the condensed consolidated statement of financial position. In addition, the Group may have to recognise 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)*

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the preparation of the annual financial statements for the year ended 31 December 2016. The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs	2014–2016 Cycle

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 adopted 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:

Annual Improvements to HKFRSs	*2014-2016 Cycle* [1]
Amendments to HKFRS 2	*Classification and measurement of Share-based Payment Transactions* [2]
HKFRS 15	*Revenue from Contracts with Customers* [2]
HKFRS 9 (2014)	*Financial Instruments* [2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts* [2]
HKFRS 16	*Leases* [3]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

[1] Effective for annual periods beginning on or after 1 January 2018 where applicable
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

The management of the Company is in the process of assessing the possible impact on the future adoption of these new and revised HKFRSs, but is not yet in a position to reasonably estimate their impact on the Company's consolidated financial statements.

3. SEGMENT INFORMATION

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

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

(ii) the sweetener products segment which comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup, crystallised glucose and maltodextrin; and

(iii) the trading segment which only includes sale of animo acids of the GBT Group in the Huadong Region.

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

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

(a) Operating segment information

	Corn refined products		Sweetener products		Trading		Total	
	Six months ended 30 June							
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Segment revenue:								
Sales to external customers	260,586	171,450	330,856	290,490	6,240	4,602	597,682	466,542
Intersegment sales	131,882	9,421	–	–	–	–	131,882	9,421
	392,468	180,871	330,856	290,490	6,240	4,602	729,564	475,963
Reconciliation:								
Elimination of intersegment sales							(131,882)	(9,421)
Revenue							597,682	466,542
Segment results	(385)	(38,421)	(21,401)	(9,742)	297	142	(21,489)	(48,021)
Reconciliation:								
Unallocated bank interest and other corporate income							48	14,806
Corporate and other unallocated expenses							(6,997)	(9,604)
Finance costs							(22,956)	(25,529)
Loss before tax							(51,394)	(68,348)

3. SEGMENT INFORMATION *(continued)*

(b) Geographical information

	Mainland China		Regions other than Mainland China		Total	
	Six months ended 30 June					
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Segment revenue:						
Revenue from external customers	561,540	426,369	36,142	40,173	597,682	466,542

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue		
Sale of goods	597,682	466,542
Other income and gains		
Net gains arising from sale of packing materials and by-products	71	—
Bank interest income	279	408
Government grants*	2,594	2,925
Subcontracting income	1,134	1,167
Gain on disposal of property, plant and equipment	10	—
Reversal of write-off of trade receivables	—	1,093
Reversal of impairment of other receivables, net	10,577	389
Reversal of write-down of inventories	92	1,173
Interest income on other receivables	—	4,539
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	91	—
Exchange gains, net	—	301
Others	1,519	2,811
Total	16,367	14,806

* Government grants represented government rewards awarded to certain subsidiaries of the Company located in Mainland China with no further obligations and conditions to be complied with.

5. FINANCE COSTS

An analysis of finance costs of the Group is as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Interest on bank borrowings	**22,717**	25,529
Finance costs for discounted bills receivables	**239**	—
Total	**22,956**	25,529

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Cost of inventories sold	**512,538**	420,486
Depreciation	**30,325**	14,748
Amortisation of prepaid land lease payments	**3,494**	2,077
Foreign exchange loss/(gain), net	**465**	(301)
(Reversal of write-down)/write-down of inventories	**(326)**	535
Reversal of write-off of trade receivables	**—**	(1,093)
Provision for impairment of trade receivables, net	**1,332**	3,294
Reversal of impairment of other receivables, net	**(10,577)**	(389)
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	**(91)**	—
Gain on disposal of property, plant and equipment	**(10)**	—
Corn subsidies, included in cost of sales	**22,593**	—

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Current tax — Mainland China	**2,118**	210
Tax charge for the Period	**2,118**	210

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong for the six months ended 30 June 2017 and 2016.

The statutory tax rate for subsidiaries operating in Mainland China was 25% for the Period (six months ended 30 June 2016: 25%).

8. LOSS PER SHARE

The calculation of the basic loss per share for the Period is based on the loss attributable to owners of the Company for the Period and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 (six months ended 30 June 2016: 1,527,586,000) shares.

Diluted loss per share equals to basic loss per share as there was no potential dilutive ordinary shares outstanding during the Period. No adjustment was made to the basic loss per share for the six months ended 30 June 2016 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic loss per share presented.

9. DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
At 1 January 2017/1 January 2016		780,869	408,312
Additions		37,762	52,544
Loss on revaluation		—	(21,390)
Disposals		(62)	(10)
Depreciation	6	(30,325)	(38,955)
Reversal of impairment		—	138,937
Reclassified from non-current assets held for sale		—	266,476
Exchange realignment		16,435	(25,045)
At 30 June 2017/31 December 2016		804,679	780,869

As at 30 June 2017, certain of the Group's property, plant and equipment with net carrying amounts of approximately HK$466,357,000 (31 December 2016: HK$462,464,000) were pledged to secure banking facilities granted to the Group.

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Trade receivables	222,003	241,937
Bills receivable	22,930	35,612
Impairment	(87,777)	(84,523)
	157,156	193,026

The Group normally gives credit terms of 30 to 90 days to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

Trade and bills receivables are non-interest bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in Mainland China which accounted for 29% (31 December 2016: 42%) of the total trade and bills receivables as at 30 June 2017.

11. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Within 1 month	85,400	76,463
1 to 2 months	34,591	31,795
2 to 3 months	6,551	7,997
Over 3 months	30,614	76,771
	157,156	193,026

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Prepayments	21,006	21,451
Deposits and other debtors	5,834	18,386
The PRC value-added tax and other tax receivables	19,759	14,649
Current portion of prepaid land lease payments	7,423	7,258
Receivables from corn subsidies	26,465	3,786
	80,487	65,530

13. TRADE AND BILLS PAYABLES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Trade payables	100,034	140,697
Bills payable	55,234	—
	155,268	140,697

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers. The carrying amounts of trade and bills payables approximate to their fair values.

Ageing analysis of the trade and bills payables at the end of the reporting period, based on the date of the receipt of goods purchased, is as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Within 1 month	25,824	33,853
1 to 2 months	7,352	2,485
2 to 3 months	2,217	513
Over 3 months	119,875	103,846
	155,268	140,697

14. SHARE CAPITAL

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Authorised:		
100,000,000,000 (31 December 2016: 100,000,000,000) ordinary shares of HK$0.10 each	10,000,000	10,000,000
Issued and fully paid:		
1,527,586,000 (31 December 2016: 1,527,586,000) ordinary shares of HK$0.10 each	152,759	152,759

15. FINANCIAL GUARANTEES

A subsidiary together with certain fellow subsidiaries of the Company had jointly provided corporate guarantees to a bank in Mainland China in respect of banking facilities granted to Dajincang, starting from year 2010 (the "Financial Guarantee Contracts"). The maximum amount of the banking facilities was RMB2.5 billion at 31 December 2016 and 30 June 2017. The Directors have tried to engage a professional valuer to assess the fair value of the Financial Guarantee Contracts. However, since the Directors were unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the interim condensed consolidated financial statements in respect of the Financial Guarantee Contracts.

16. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Contracted, but not provided for:		
Plant and machinery	52,057	68,814

17. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the Period, the Group had the following transactions with related parties:

		Six months ended 30 June	
	Notes	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Purchases from fellow subsidiaries			
— Corn starch	(i)	33,737	61,621
— Lysine and other corn refined products	(i)	7,454	4,384
Reimbursement of cost of utilities provided by a fellow subsidiary	(ii)	2,647	3,764
Rental expense paid to a fellow subsidiary	(iii)	1,172	—
Processing fee charged to a fellow subsidiary	(iv)	412	—

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

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

(iii) The Group leased certain land and premise from a fellow subsidiary. The rental expense was charged based on lease agreements signed between the parties.

(iv) The Group provided processing services on corn starch to a fellow subsidiary. The processing fee was made at prices mutually agreed between the relevant parties.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Short term employee benefits	2,220	1,800
Post-employment benefits	9	9
Total compensation paid to key management personnel	2,229	1,809

(c) Balances with the related parties

Balances with fellow subsidiaries are unsecured, interest free and have no fixed term of repayment. The balances approximate to their fair values.