2017 INTERIM REPORT

GLOBAL Bio-Chem Technology Group Company Limited
大成生化科技集團有限公司*

Stock Code: 00809

* For identification purpose only

Contents

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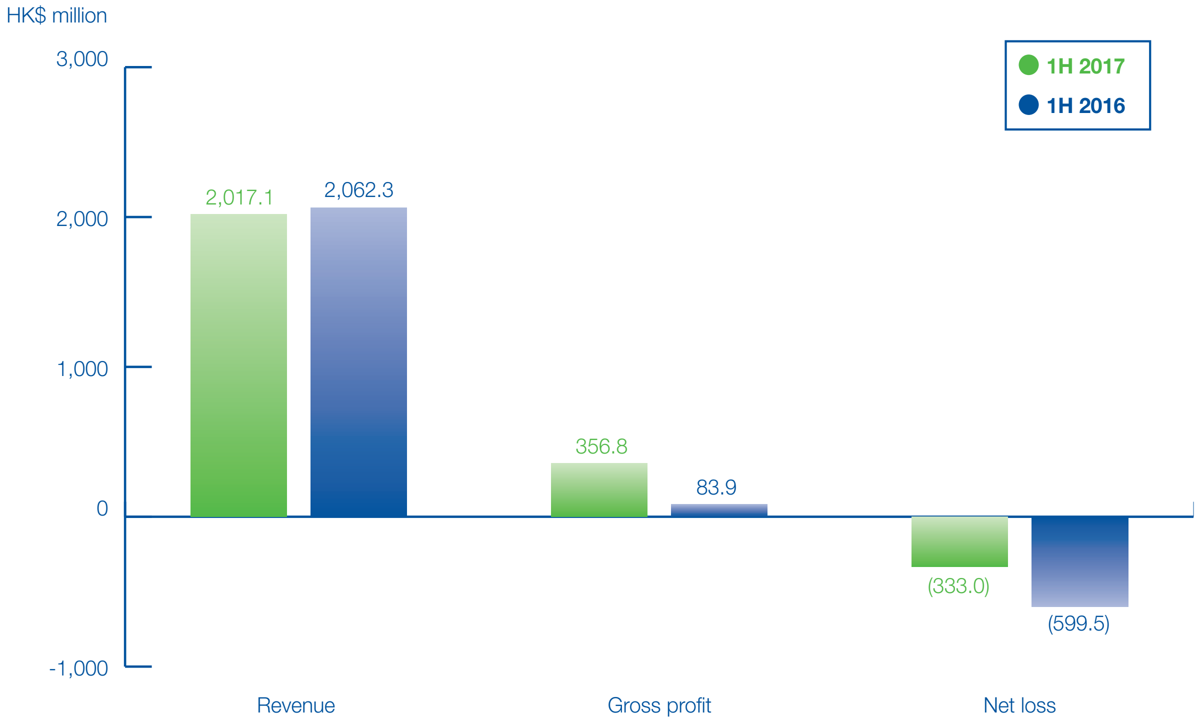
Financial Highlights

	six months ended 30 June (Unaudited)		
	2017 (HK$ million)	2016 (HK$ million)	Change %
Operating results			
Revenue	**2,017.1**	2,062.3	(2.2)
Gross profit	**356.8**	83.9	325.3
Net loss	**(333.0)**	(599.5)	N/A
Basic loss per share (HK cents)	**(4.88)**	(8.96)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A



Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Yuan Weisen *(Chairman)*
(appointed on 23 March 2017)
Mr. Zhang Zihua *(appointed on 23 March 2017)*
Ms. Wang Qiu *(resigned on 23 March 2017)*
Mr. Wang Jian *(resigned on 23 March 2017)*
Mr. Li Shuguang *(resigned on 23 March 2017)*

Non-executive Directors
Mr. Qiu Zhuang *(resigned on 23 March 2017)*
Mr. Xing Lizhu *(resigned on 23 March 2017)*

Independent non-executive Directors
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam
Ms. Chiu Lai Ling, Shirley

COMPANY SECRETARY

Mr. Lee Chi Yung, ACCA, HKICPA

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITOR

World Link CPA Limited
Certified Public Accountants
5th Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

Since the completion of the restructuring in the fourth quarter of 2015, the management team has been working on the overall business structure of the Group. After nearly two years of hard work, the overall efficiency of the Group has further improved. During the six months ended 30 June 2017, the Company recorded satisfactory improvement for the performance of both upstream and downstream business. During the period under review, as the product prices stabilised, in addition to a significant decrease in the cost of corn as a result of the agricultural policy reform in China, the operation of the Group has improved.

BUSINESS REVIEW

During the period under review, the Group's overall gross profit increased by more than threefold year-on-year, with various segments reported satisfactory growth. In particular, the upstream business turned around from gross loss last year into gross profit of over HK$90,000,000 for the first half of the year. The gross profit of downstream amino acid products almost doubled to approximately HK$200,000,000 when compared to the corresponding period last year, with a 9.5 percentage points increase in gross profit margin to 20.7%, basically back to its healthy operating level. With respect to the sweeteners segment, benefiting from high cane sugar price, its revenue and gross profit also increased during the period by approximately 14.6% and 35.7% respectively, while gross profit margin rose by 2.6 percentage points to 16.6%. As for polyol chemicals, since its suspension of operation in 2014, the Group has been focusing on clearing inventory. During the period under review, the polyol segment reported a gross profit of approximately HK$2,700,000. Due to high level of costs such as depreciation and interest expenses, the Group still reported a net loss during the period under review. However, the loss had been narrowed down significantly year-on-year.

The Group originally planned to dispose of certain pieces of land in Luyuan District, Changchun, and the buildings erected thereon, and intended to use the proceeds to finance the relocation of the production facilities in Luyuan District. However, the vendor proposed to terminate the transactions, leading to delay in the schedule of the relocation of the Group's production facilities. The Group is currently engaged in negotiation with potential buyers in respect of the proposal on the disposal of the relevant assets, at the same time exploring other possible solutions. No definitive plan has been made at this stage.

To speed up the disposal of land and to rationalise the Group's overall operation management, the Group entered into an agreement with GSH for the acquisition of two subsidiaries of GSH, Dihao Crystal Sugar and Dihao Foodstuff during the period under review. The facilities of the aforesaid companies that GSH intended to sell are located in the Group's production base in Changchun. Should the transaction be completed, the land of the entire site in Luyuan District will be owned by the Group. This could effectively speed up the processes of decision-making and execution in relation to the disposal of land. At the same time, the Group could operate with higher flexibility with a feedstock in place to better supply its downstream production. The said transaction is subject to the approval at an extraordinary general meeting to be held by GSH.

On the other hand, during the period under review, the Group reached a settlement agreement in respect of certain litigations in relation to the alleged infringement of certain patents by its lysine products exported to Europe. As the aforesaid litigations had lingered for years, the settlement of such litigations would allow the management team to concentrate efforts and resources in business development of the Group.

As announced by the Company in early March this year, as a result of internal restructure, Jilin Agricultural Investment Group Co., Ltd.(吉林省農業投資集團有限公司, "Nongtou"), an entity controlled by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province, became a controlling shareholder of the Company. After the restructure, the new controlling shareholder will continue to provide support to the Group in terms of finance and stable corn supply. In May, the Group entered into a corn purchasing 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), a wholly-owned subsidiary of Nongtou, to secure the supply of corn kernels and stabilise raw material costs.

OUTLOOK

The implementation of the agricultural reform policies in relation to corn by the state government not only introduced direct subsidy to farmers in the provinces of Heilongjiang, Jilin and Liaoning, as well as Inner Mongolia Autonomous Region; certain provincial governments in northeast China, including Jilin province where the production facilities of the Group are located, also introduced direct subsidies to corn refiners which purchase local corn. These measures have brought positive effect on the entire upstream corn refinery industry.

Lysine price has maintained at a healthy level, ranging from RMB8,000 to RMB9,500 per metric tonne, during the first half of the year. Years of consolidation has eliminated a number of inefficient capacities in the market. Although there is still overcapacity in China, industry players have get rid of the vicious cut-throat price competition in the past, planned production based on orders and strived to lower inventory. With the arrival of industry peak, it is expected that the performance of lysine products will remain stable in the second half of the year.

Since the relocation of the Group's production facilities to the Xinglongshan site has not yet completed, the economies of scale of the production facilities in the Xinglongshan site has yet to be achieved. The Group will strive to find a proper solution to dispose of its assets in Luyuan District, Changchun as soon as possible, and accelerate the relocation of the production facilities to the Xinglongshan site, in order to lower the unit production cost and optimise the operation efficiency of the Xinglongshan site.

As for the polyol chemical production facilities that have been suspended for three years, the Group is looking into the possible ways to revive the relevant facilities to produce new products, including the methanol production plant to be constructed in the Xinglongshan site as announced by the Company at the beginning of the year.

On the other hand, the Group will continue to leverage its research and development capability to develop products that cater to the market. The products that are currently under research and development such as isosorbide and other high-end polyol products are intended for wide applications in various industries and uses. These new products are now in the stage of small-batch trial run to test market acceptance.

In respect of the Group's financial position, while the management team continuously strives to improve in operation efficiency and obtain proceeds from land disposal to finance relocation to the Xinglongshan site, it has also been actively studying the feasibility of debt-equity swap with provincial government, banks as well as implementing agents. Since the submission of a proposal of debt-equity swap to the Jilin Provincial Government in March, the Group has been discussing with various parties on various feasible solutions. If the proposal of debt-equity swap is materialised, the Group's financial position will be significantly strengthened.

Message to Shareholders

With our staff's dedication, the Group is gradually riding out the storm, to resume its profitability and competitive advantages. However, as the business environment will continue to be challenging, we will be vigilant in our operations. Every member of the Group will continue to diligently perform our duties, together with our shareholders, we will steer the Group back on track.

Chairman
Yuan Weisen

28 August 2017

Global Bio-Chem Technology Group Company Limited (the "Company ") and its subsidiaries (collectively, the "Group") is principally engaged in the manufacture and sale of corn refined products, amino acids, polyol chemicals and corn sweeteners. The upstream corn refinery segment serves as a feedstock which break down corn kernels into corn starch, gluten meal, fibre and corn oil; and corn starch is further refined through a series of biochemical and/or chemical processes into a wide range of high value-added downstream products.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2016 had been subject to a disclaimer of opinion by the auditor of the Company in the Company's annual report for the year ended 31 December 2016 (the "2016 Annual Report"). Further to the management response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the 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 guarantee contracts

As disclosed in the 2016 Annual Report, the Previous Financial Guarantee Contracts were not recognised in the Group's consolidated financial statements for the year ended 31 December 2016 because the professional valuer could not proceed with the valuation as the Company was unable to obtain reliable financial information of Changchun Dajincang Corn Procurement, Ltd. (長春大金倉玉米收儲有限公司)("Dajincang" or the "Former Supplier") for professional valuer to conduct an accurate valuation. During the Period, as a result of similar difficulties encountered by the Group in 2016, no valuation as at 30 June 2017 could be proceeded.

As disclosed in the joint announcement of the Company and Global Sweeteners Holdings Limited "GSH", together with its subsidiaries, the "GSH Group") dated 8 August 2016 and the circular of the Company dated 6 September 2016, new financial guarantee contracts with the maximum guaranteed amount of RMB2.5 billion ("New Financial Guarantee Contracts") were granted by certain subsidiaries of the Company to BOC to guarantee the obligations of the Former Supplier under the new supplier loan. As at the date of this report, BOC did not express any intention to enforce the New Financial Guarantee Contracts.

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 the guarantors pursuant to the New Financial Guarantee Contracts including debt-equity swap. Subsequently, a debt-equity swap proposal was submitted to the People's Government of Jilin Province for approval in March 2017. During the Period, negotiations with banks to reach an optimal plan for debt restructuring purpose has been ongoing.

2. Material uncertainty relating to going concern

As detailed in the 2016 Annual Report, the auditor has raised fundamental uncertainties relating to the going concern of the Group, save as the remedial actions disclosed in the 2016 Annual Report, the management has taken and will take steps as outlined in note 2 to the interim condensed consolidated financial statements to improve the Group's financial position.

Dependent on the successful and favourable outcomes of the steps being taken as described in note 2 to the interim condensed consolidated financial statements, the Board, including the audit committee (the "Audit Committee") of the Company, is of the view that the Group will be able to continue as a going concern in foreseeable future. Please refer to note 2 to the interim condensed consolidated financial statements for details.

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 overall operating environment in the People's Republic of China (the "PRC" or "China"). Domestic demand has shown sign of slow recovery. With respect to corn price movement, 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 the Period. In the PRC, corn production in 2016/17 reaches 232 million MT according to the latest USDA estimates (2015/16: approximately 225 million MT), with average market price lowered to approximately RMB1,656 per MT (end of June 2016: RMB1,846 per MT) by the end of June 2017. Such decrease was a result of the Chinese agricultural policy reform. As disclosed in the Company's 2016 interim report, in 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 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, certain provincial governments in northeast China introduced direct subsidies to corn refiners which purchase local corn starting from the harvest months of 2016. For instance, the 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 before end of June 2017. During the Period, the Group was entitled to HK$142.6 million of subsidies for the purchase of corn kernels for its operations – this added cost advantage has contributed to the turnaround of the Group's upstream business during the Period.

The normalised corn price in China has enhanced the competitiveness of Chinese corn refined products and other downstream products in the overseas market. The positive outlook on China's exports could also help ease the pressure from overcapacity in the domestic market.

With respect to the Group's lysine business, years of consolidation has eliminated a number of inefficient capacities in the market. Although there is still overcapacity in China, industry players are moving towards building demands and promoting a healthier operating environment. Destructive pricing strategy and pushing out large volume are no longer common in the Chinese lysine market. Although short-term volatility in lysine prices driven by the prices of related products such as meat and soybean could be observed, the lysine market is gradually getting back to equilibrium. During the first half of 2017, despite temporary fluctuations, lysine price in China has maintained at a healthy range of RMB8,000 to RMB9,500 per MT for most of the weeks. Taking the advantage of the lower corn cost resulting from the provincial corn purchasing subsidies and improved production efficiency from the facility upgrade in 2015, the management has been able to flexibly adjust and optimise facility utilisation in response to market changes during the Period. As a result, the Group's lysine segment has recorded a gross profit of HK$208.5 million for the Period.

As for the sugar and sweetener market, due to increased production in various major sugar producing countries, the international sugar price dropped 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) (30 June 2016: 12.34 US cents per pound) as at 30 June 2017. In the PRC, although domestic sugar price retreated from its peak of RMB7,119 per MT in 2016, as a result of the increase in cane sugar production from 9.0 million MT to 9.5 million MT in 2016/17 harvest, the domestic sugar price has still increased by approximately 14% year on year to RMB6,654 per MT as at 30 June 2017. The increased sugar price in contrast with the decreased corn price has highlighted the cost advantage of corn sweeteners over cane sugar, raising customers' incentive to switch to corn sweeteners. Although estimates from USDA 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, with the World's sugar consumption volume of 172 million MT, shortage will continue for the year 2017. As such, the outlook on sugar and sweetener market remains positive.

Regarding the Group's polyol chemical business, in order to better utilise the polyol chemical production facilities, the Group's research and development team is proactively looking at the possibility to restructure its product portfolio to include high value-added products in response to changing market needs. For instance, as announced by the Company on 10 March 2017, the Group has planned for the construction of a methanol production facility. The Company will continue to observe the market closely and take prudent approach to revive its polyol chemical production facilities.

While the lysine market gradually improves and the sweeteners market remains stable, changes in the operating environment for the corn refinery industry are expected to provide opportunities for corn refiners. The normalised corn price in the PRC is expected to enhance the attractiveness of China's corn related products in the overseas market, providing an outlet for the excess capacity at home. The Group will continue to strengthen its market position with its brand name and customer relationship management, further improve cost effectiveness through continuous research and development efforts, and at the same time optimise utilisation rate to raise operation efficiency in response to market changes. Internally, the Group is backed by its resourceful shareholder. Leveraging on the synergies as a result of the introduction and participation of the resourceful shareholder, the Group has been well-supported with strong financial support, enhanced relationship with bankers, favourable government policies and management capabilities. The synergistic effects have been reflected in the Company's improved performance for the Period.

FINANCIAL PERFORMANCE

The consolidated revenue of the Group for the Period decreased slightly by approximately 2.2% to approximately HK$2,017.1 million (2016: HK$2,062.3 million), which was mainly attributable to the decrease in average selling prices of the upstream segment by 8.0% to approximately HK$2,048 per MT (2016: HK$2,226 per MT). However, lower raw material costs, recovery of the lysine business and optimisation of operation have improved the Group's performance during the Period. As a result, the Group recorded a gross profit and EBITDA (i.e., earnings before interest, taxation, depreciation and amortisation) of HK$356.8 million and HK$85.0 million respectively for the Period as compare to gross profit and LBITDA (i.e., loss before interest, taxation, depreciation and amortisation) of HK$83.9 million and HK$24.9 million respectively for the corresponding period last year. Despite the improved operation performance, the Company recorded a net loss of HK$333.0 million (2016: HK$599.5 million) for the Period due to the low utilisation rate of the Xinglongshan site and high debt level of the Group. To improve the financial performance and financial position of the Group, the management focuses its efforts in 1) accelerating the relocation of the production facilities from Luyuan District, Changchun to the Xinglongshan site in order to free up the land for disposal and to optimise operation efficiency in the Xinglongshan site; 2) actively studying the feasibility of the debt-equity swap to lower the debt level of the Group; and 3) lowering the cost of raw material through collaboration with Jiliang, a subsidiary of Jilin Agricultural Investment Group Co., Ltd.（吉林省農業投資集團有限公司）("Nongtou"), by the entering of the corn procurement contracts.

Upstream products

(Sales amount: HK$675.4 million (2016: HK$737.2 million))
(Gross profit: HK$90.5 million (2016: Gross loss: HK$71.5 million))

During the Period, the Group's upstream business recorded a revenue of approximately HK$675.4 million (2016: HK$737.2 million). As the direct subsidies to local corn farmers gradually took effect coupled with the provincial subsidies to corn refiners since October 2016, the Group's cost of raw materials for the Period has been substantially lowered. During the Period, the Group was entitled to approximately HK$142.6 million of corn subsidies. As a result, the Group's upstream business recorded a gross profit of approximately HK$90.5 million for the Period as compared to a gross loss of approximately HK$71.5 million for the corresponding period last year.

The sales volume of corn starch and other corn refined products for the Period were approximately 165,000 MT (2016: 144,000 MT) and 165,000 MT (2016: 188,000 MT) respectively. Internal consumption of corn starch was approximately 72,000 MT (2016: 52,000 MT), which was mainly used as raw material for the Group's downstream production.

The PRC agricultural reforms have enhanced the profitability of the upstream segment. As a result, the corn starch segment and other corn refined products segment recorded gross profit margins of 17.3% (2016: gross loss margin 2.2%) and 9.5% (2016: gross loss margin: 16.2%) respectively.

As a key agricultural product, the price of corn kernels depends a great deal on the direction of the state agriculture policy. Notwithstanding the possible fluctuations in the price of corn kernels, as the feedstock of the Group's downstream production, the upstream operation has strategic value to the Group's overall operation. As such, the management of the Group will continue their prudent approach in optimising its facilities utilisation and endeavour to control raw material cost in order to maintain healthy cash flows of the Group.

Amino acids

(Sales amount: HK$1,006.0 million (2016: HK$1,033.6 million))
(Gross profit: HK$208.5 million (2016: HK$115.4 million))

The amino acids segment consists of lysine, protein lysine and threonine products. During the Period, the amino acids segment recorded a revenue of approximately HK$1,006.0 million (2016: HK$1,033.6 million), representing 49.9% (2016: 50.1%) of the Group's revenue. The sales volume of amino acids segment decreased slightly by 4.8% to 179,000 MT (2016: 188,000 MT). However, benefiting from the cost savings resulting from the facility upgrade and the re-adjustment of product mix to suit market needs, the gross profit of amino acids segment increased to approximately HK$208.5 million (2016: HK$115.4 million), with a gross profit margin of 20.7% (2016: 11.2%) during the Period.

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

Corn sweeteners

(Sales amount: HK$332.8 million (2016: HK$290.5 million))
(Gross profit: HK$55.1 million (2016: HK$40.6 million))

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

The widened cost advantage of corn sweeteners versus cane sugar in China has enhanced the competitiveness of corn sweeteners. Customers were increasingly convinced to switch from cane sugar to corn sweeteners, coupled with resumption of downstream production in the Group's Jinzhou sites since November 2016, sales volume of corn sweeteners increased by 26.7% to approximately 128,000 MT (2016: 101,000 MT), with revenue increased by 14.6% to approximately HK$332.8 million (2016: HK$290.5 million). As a result, the corn sweeteners segment recorded a gross profit of approximately HK$55.1 million (2016: HK$40.6 million) and a gross profit margin of 16.6% (2016: 14.0%).

The outlook on corn sweeteners remain positive for the year of 2017 as shortage continues. With the resumption of production of the Jinzhou downstream production since the fourth quarter of 2016, the Group will gradually look at the possibility to increase its downstream production volume in Jinzhou. During the Period, phase one of the relocation of the sweetener production facility to the Xinglongshan site has completed and has commenced trial run. The Group will closely monitor market moves and adjust its production volume and product mix to serve customer needs.

Polyol chemicals

(Sales amount: HK$2.9 million (2016: HK$1.0 million))
(Gross profit: HK$2.7 million (2016: Gross loss HK$0.6 million))

Polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. The high corn price in the past years has lower the competitiveness of corn based polyols as compared to traditional petroleum based polyols. As such, the Group had suspended most of its polyol chemicals production since March 2014. During the Period, the Group produced and sold a small amount of anti-freeze products and at the same time, continued to sell its polyol chemicals inventory.

During the Period, due the increase in demands of anti-freeze products, the revenue of polyol chemicals segment increased by 190.0% to approximately HK$2.9 million (2016: HK$1.0 million). As substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years, the polyol chemicals segment recorded gross profit of approximately HK$2.7 million (2016: gross loss: HK$0.6 million), with a gross profit margin of 93.1% (2016: gross loss margin: 60.0%).

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

Export Sales

During the Period, the Group exported approximately 85,000 MT (2016: 36,000 MT) of upstream corn refined products, approximately 121,000 MT (2016: 58,000 MT) of amino acids, approximately 83 MT (2016: 200 MT) of corn sweeteners, and approximately 24 MT (2016: nil) of polyol products. As a result of the decrease in raw material price which enhanced the competitiveness of the Group's products, the export sales of upstream corn refined products, amino acids, and polyol products increased to approximately HK$111.2 million (2016: HK$56.9 million), HK$460.0 million (2016: HK$381.6 million), and HK$64,000 (2016: nil) respectively. On the other hand, the export sales of corn sweeteners decreased to approximately HK$0.2 million (2016: HK$0.7 million) due to the decline in export sales volume. During the Period, export sales accounted for 28.3% (2016: 21.3%) to the Group's total revenue.

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

Other income and gains

During the Period, other income and gains decreased by 51.6% to approximately HK$50.0 million (2016: HK$103.3 million). Such decrease was mainly due to the loss arising from the sale of packing materials and by-products amounted to approximately HK$2.1 million (2016: Net profit HK$16.4 million) during the Period.

Selling and distribution expenses

During the Period, the selling and distribution expenses accounted for 9.8% (2016: 7.1%) of the Group's revenue, representing an increase of HK$51.6 million to approximately HK$197.7 million (2016: HK$146.1 million). Such increase was mainly attributable to the increase in export sales which incurred higher transportation cost and handling fee.

Administrative expenses

During the Period, administrative expenses increased by 62.1% to approximately HK$221.1 million (2016: HK$136.4 million), representing 11.0% (2016: 6.6%) of the Group's revenue. Such increase was mainly attributable to the expenses in relation to the resumption of depreciation and amortisation of the parcels of land and properties located in the Luyuan District as a result of the re-classification from non-current assets held for sale to non-current assets, and the expenses in relation to the settlement of litigations.

Other expenses

With the resumption of the Group's operation and reclassification of depreciation, expenses reallocated from cost of sales due to idle capacity of certain production facilities of the Group decreased by 54.3%. As a result, other expenses of the Group during the Period dropped to approximately HK$111.7 million (2016: HK$264.8 million).

Finance costs

During the Period, finance costs of the Group which included effective imputed interest of HK$27.1 million (2016: HK$25.5 million) decreased to approximately HK$207.2 million (2016: HK$239.1 million). It was mainly attributable to the drop in the average interest rate to approximately 4.7% (2016: 5.2%).

Income tax expense

Although the Group recorded a net loss during the Period, certain subsidiaries in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, income tax expense amounted to approximately HK$2.1 million was recognised during the Period (2016: HK$0.2 million).

Loss shared by non-controlling shareholders

During the Period, GSH recorded a loss of approximately HK$53.5 million (2016: HK$68.6 million), leading to loss shared by the non-controlling shareholders amounted to approximately HK$19.3 million (2016: HK$24.7 million).

During the Period, Changchun Wanxiang Corn Oil Co., Ltd ("Changchun Wanxiang"), a wholly foreign owned enterprise established in the PRC and a member of the Group, which was principally engaged in the manufacture and sales of corn oil, recorded a loss of approximately HK$6.0 million (2016: HK$5.8 million). As such, the Group recorded a loss shared by the non-controlling shareholders amounted to approximately HK$1.2 million (2016: HK$1.2 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2017 increased to approximately HK$7,715.9 million (31 December 2016: HK$7,632.4 million). The change in total borrowings included a approximately HK$173.0 million increment as a result of exchange rate adjustment as at 30 June 2017. On the other hand, the cash and cash equivalents and pledged deposits decreased by approximately HK$256.8 million to approximately HK$693.3 million (31 December 2016: HK$950.1 million). As a result, the net borrowings increased to approximately HK$7,022.6 million (31 December 2016: HK$6,682.3 million).

Structure of interest-bearing bank and other borrowings

As at 30 June 2017, the Group's interest-bearing bank and other borrowings amounted to approximately HK$7,715.9 million (31 December 2016: HK$7,632.4 million), of which 0.2% (31 December 2016: 0.3%) were denominated in Hong Kong dollars while the remaining 99.8% (31 December 2016: 99.7%) were denominated in Renminbi. The average interest rate during the Period was 4.7% (31 December 2016: 4.9%). The percentage of interest-bearing bank and other borrowings wholly repayable within one year, in the second to the fifth years and beyond five years were 56.1%, 43.9% and nil (31 December 2016: 45.1%, 54.9% and nil), respectively. As at 30 June 2017, interest-bearing bank and other borrowings amounted to approximately RMB240.0 million (31 December 2016: RMB69.0 million) has been charged at a fixed interest rate of 3.915% (31 December 2016: 8.9%) for a term of one year. Other than that, the rest of the Group's interest-bearing bank and other borrowings are charged with reference to floating interest rate.

Convertible bonds

Subsequent to the completion of the subscription of shares and convertible bonds by Modern Agricultural Industry Investment Limited ("Modern Agricultural") in October 2015, convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$1,086,279,565 which may be converted into 4,722,954,631 conversion shares of the Company (the "Conversion Shares") based on the initial conversion price of HK$0.23 (subject to adjustment) per share (the "Initial Conversion Price") upon full conversion, were issued by the Company to Modern Agricultural. The Convertible Bonds carry coupon interest at the rate of 0.01% per annum payable quarterly in arrears with a term of five years. Its holder have the right to convert the whole or any part (in the denominations of HK$1,000,000 and integral multiples thereof) of the outstanding principal amount of the Convertible Bonds into the Conversion Shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the seven days before (and excluding) the date falling on the fifth anniversary of the date of issue, provided that the public float of the shares of the Company shall not be less than 25% or any given percentage as required by the Listing Rules. No conversion right has been exercised by its holder as at the date of this report.

At 30 June 2017, the Convertible Bonds was divided into liability component and equity component which amounted to approximately HK$885.1 million and HK$290.6 million (31 December 2016: HK$857.9 million and HK$290.6 million) respectively and effective imputed interest of approximately HK$27.1 million (2016: HK$25.5 million) was recognised as finance costs during the Period.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Period, trade receivables turnover days increased to approximately 42 days (31 December 2016: 40 days) as longer credit-term were granted to new customers during the Period. Meanwhile, the trade payables turnover days decreased to approximately 144 days (31 December 2016: 158 days) during the Period, as the Group has been actively negotiating with creditors on repayment plans mutually-agreed among the parties. During the Period, the Group's inventory increased by 1.1% to HK$546.0 million (31 December 2016: HK$540.0 million). As such, the inventory turnover days increased to 60 days (31 December 2016: 55 days).

As at 30 June 2017, the current ratio of the Group remained at 0.4 (31 December 2016: 0.4) and the quick ratio decrease slightly to 0.3 (31 December 2016: 0.4), which was mainly due to the increase in current portion of interest bearing bank and other borrowing by approximately HK$891.1 million. The Group recorded a net loss of approximately HK$333.0 million during the Period, leading to the recorded net liabilities value of approximately HK$2,178.8 million (31 December 2016: HK$1,804.1 million). As a result, gearing ratio in term of debts (i.e. total interest-bearing bank and other borrowings) to total equity and debts (i.e. aggregate total of shareholders equity, non-controlling interests and total interest-bearing bank and other borrowings) was 139.3% (31 December 2016: 131.0%). To improve the financial position of the Group, the Company has adopted several strategic measures as mentioned in the section headed "Basis of Preparation and Accounting Policies" on pages 35 to 39 of this report.

Foreign exchange exposure

Most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, with export sales accounting for 28.3% of the Group's revenue in which most of these transactions were denominated in US dollars. The Directors have been closely monitoring the Group's exposure to foreign exchange fluctuations in Renminbi and the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

FUTURE PLANS AND PROSPECTS

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

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

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

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2017, the Group had approximately 5,100 (31 December 2016: 5,200) 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 increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related bonuses.

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

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

Long positions in ordinary shares of the Company:

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

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

	Number of shares held capacity and nature of interest			
Name of chief executive	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of GSH's issued share capital**
Mr. Kong Zhanpeng	—	1,984,000 *(Note 1)*	1,984,000	0.13

Notes:

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

Save as disclosed above, as at 30 June 2017, none of the Directors and chief executives of the Company had any interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, the interests or short positions of the persons (other than a Director or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	*Notes*	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Liu Xiaoming	*1*	365,138,400	5.71
Personal representative of the late Mr. Xu Zhouwen	*2*	322,111,600	5.03
Modern Agricultural	*3*	7,858,463,827	122.81

Notes:

1. Mr. Liu Xiaoming is deemed to be interested in 5.71% of interest in the Company through his interest in (i) 19,090,400 Shares as beneficial owner and (ii) 346,048,000 Shares as interest in controlled corporation, namely, LXM Limited. Mr. Liu Xiaoming is the sole director of LXM Limited

2. The personal representative of the late Mr. Xu Zhouwen is deemed to be interested in 5.03% of interest in the Company through his interest in (i) 26,655,600 Shares as beneficial owner and (ii) 295,456,000 Shares as interest in controlled corporation, namely, Crown Asia Profits Limited.

3. The entire issued capital of Modern Agricultural 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 the Company 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 the Company. 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 Industry Investment Holdings Limited, PRC LLP, GP, Jiaotou, Nongtou and SASAC of Jilin Province are deemed to be interested in the interest held by Modern Agricultural.

Save as disclosed above, as at 30 June 2017, no person, other than the Directors and chief executives of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Board regularly reviews the Group's corporate governance guidelines and developments. To the best knowledge and belief of the Board, the Board considers that the Company has complied with all code provisions as laid down in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Period.

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

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

AUDIT COMMITTEE

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

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

The Group's interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The members of the remuneration committee of the Company (the "Remuneration Committee") comprise of two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Ms. Chiu Lai Ling, Shirley and an executive Director, Mr. Yuan Weisen. The duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee also assess performance of executive Directors and approve the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

The members of the nomination committee of the Company (the "Nomination Committee") comprise of an executive Director, Mr. Yuan Weisen (the chairman of the committee), and two independent non-executive Directors, namely Mr. Ng Kwok Pong and Ms. Chiu Lai Ling, Shirley. The duties of the Nomination Committee are, among others, determining policy for the nomination of Directors, including the nomination procedures, process and criteria adopted by the Nomination Committee to select and recommending candidates for directorship during the year. The Nomination Committee also reviews the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board and on the selection of individuals nominated for directorships, and reviews the board diversity policy adopted by the Company.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") comprises of two independent non-executive Directors, namely Mr. Ng Kwok Pong (the chairman of the committee) and Ms. Chiu Lai Ling, Shirley, and one executive Director, Mr. Zhang Zihua. The duties of the Corporate Governance Committee are, among others, to review the Company's policies and practices on corporate governance and provide supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the Corporate Governance Code, or other applicable laws, regulations, rules and codes.

EXECUTIVE COMMITTEE

The executive committee of the Company (the "Executive Committee") comprises of two executive Directors, namely Mr. Yuan Weisen (the chairman of the committee) and Mr. Zhang Zihua. The duties of the Executive Committee are, among others, to approve and enter into any agreement or document or transaction on behalf of the Company and to approve, execute and authorise the issue, publication or despatch of all such documents as the committee may consider necessary or desirable in connection with the normal and ordinary course of business and the day-to-day management and operation of the Company.

The powers and authorities of the Committee shall not be extended to:

(a) approval of final and interim results of the Company;

(b) declaration, recommendation or payment of any dividend or other distributions;

(c) proposal to the shareholders of the Company to put the Company into liquidation;

(d) approval of any discloseable transaction, major transaction, very substantial acquisition or disposal within the meaning of Chapter 14 of the Listing Rules on the Stock Exchange;

(e) approval of any connected transaction within the meaning of Chapter 14A of the Listing Rules;

(f) matters involving a conflict of interest for a substantial shareholder and/or a Director of the Company.

(g) approving any proposed change in the capital structure, including any redemption of the Company's securities listed on the Stock Exchange;

(h) approving any decision to change the general character or nature of the business of the Company;

(i) matters specifically set out in the Listing Rules which require approval at a full Board meeting; and

(j) any regulations or resolutions or restrictions that may be imposed upon the Committee by the Board from time to time.

SHARE OPTION SCHEME

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

Eligible participants of the Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

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

Eligible participants of the GSH Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MATERIAL LITIGATIONS

Pursuant to the announcement of the Company on 30 June 2017, the Company and the Relevant Group Members entered into a settlement agreement ("Settlement Agreement") with Ajinomoto on 29 June 2017, pursuant to which, as soon as possible after receipt by Ajinomoto of a payment from the Group ("Payment"), Ajinomoto and the Group will withdraw all pending proceedings in Europe relating to the alleged infringement by the group of certain patents and violation of trade secrets.

Considering the above litigations had lingered for years, the Board considered that settlement of such litigations would allow the Group to concentrate efforts and resources in the business development of the Group. The Group settled the Payment by internal resources and the Board considers that there are no material impact on its financial position as a result of the entering into the Settlement Agreement and settlement of the Payment.

In August 2017, all the litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. against the Relevant Group Members had been withdrawn.

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

Master Supply Agreement for the procurement of corn kernels

Reference is made to the announcement dated 15 May 2017 and the circular dated 14 June 2017, in relation to the entering into of a master supply agreement (the "Master Supply Agreement") by the Company 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") for the supply of corn kernels by Jiliang to members of the Group on an ongoing basis.

Pursuant to the Master Supply Agreement, the Company appointed Jiliang as one of its suppliers for corn kernels and Jiliang agrees to supply corn kernels to members of the Group. The Master Supply Agreement shall become effective from 3 July 2017, being the date of approval of the Master Supply Agreement by the Independent Shareholders at the extraordinary general meeting and expiring on 31 December 2019 with the right of either party to effect an earlier termination by giving to the other not less than three months' written notice.

Pursuant to the Master Supply Agreement, members of the Group shall enter into purchase orders or sales contracts with Jiliang from time to time during the term of the Master Supply Agreement for the purposes of confirming the purchase of corn kernels by the relevant members of the Group. Such purchase orders or sales contracts shall specify the detailed terms of such purchase, including form of delivery, payment and remittance time and method, quality warranties and inspection, and the respective rights and obligations of each party, provided that such separate purchase orders or sales contracts shall be for a fixed term and in any event not exceeding the term of the Master Supply Agreement, payment must only be made after receipt of corn kernels, and at pricing terms and otherwise on terms in compliance with those set out in the Master Supply Agreement.

The Company expects that the annual caps in respect of the transactions contemplated under the Master Supply Agreement will be HK$1.40 billion, HK$1.68 billion and HK$2.09 billion for each of the three years ending 31 December 2019, respectively. The above annual caps have been determined by reference to the estimated demand of the Group for corn kernels as contemplated to be purchased under the Master Supply Agreement, taking into account the business growth of the Group, the historical and current price of corn kernels in Changchun.

As Nongtou is interested in 49% of the entire issued share capital of the Company through its control in Jilin Province Modern Agricultural Industry Investment Fund, which indirectly holds the entire issued share capital of Modern Agricultural. Nongtou is a connected person of the Company. As Jiliang is indirectly wholly owned by Nongtou, Jiliang is an associate of Nongtou and therefore is also a connected person of the Company. Accordingly, the transactions contemplated under the Master Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The Master Supply Agreement and the related annual caps were approved by the shareholders by way of poll at the extraordinary general meeting held on 3 July 2017.

Transfer of two subsidiaries in Changchun from GSH Group

As announced by the Company on 21 July 2017, the Group entered into a sale and purchase agreement (the “S&P Agreement”) with the GSH Group for the acquisition (the “Transaction”) by the Group of the entire equity interest (the “Sale Interest”) of the Target Companies in Changchun. As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Transaction are more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Group under Rule 14.06 of the Listing Rules. Pursuant to the S&P Agreement, the 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 Group at completion. The consideration was determined after arm’s length negotiations between the Group and GSH Group with reference to the net asset value of the Target Companies and the fair value of the land and buildings held by the Target Companies 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 the Group are situated while all other production facilities of GSH Group are situated elsewhere in the PRC. As such, the Transaction would enable the Target Companies to be managed under the ambit of the Group with other members of the Group in Changchun, which could enhance the cost and operation efficiency, create potential synergies and reduce the connected transactions between the Group and the GSH Group.

Completion is conditional upon fulfillment of certain conditions which are yet to be fulfilled as at the date of this report.

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

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 the 2016 Annual Report, in relation to among others, the relocation of production facilities of the Group to the Xinglongshan site.

The Group is 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 as follows:

Products of the Group to which the production facilities relate	**Production site to which the production facilities will be relocated**	**Production capacity of the relevant production facilities to be relocated** *(metric tonne per annum)*	**Expected time for the relocation of production facilities**
Methanol	the Xinglongshan site	165,000	April 2017 – September 2018
Modified starch – food grade (phase 1)	the Xinglongshan site	20,000	July 2017 – June 2018
Modified starch (phase 2)	the Xinglongshan site	60,000	September 2017 – August 2018
Corn oil	the Xinglongshan site	63,000	October 2017 – September 2018
Lysine	the Xinglongshan site	100,000	September 2018 – August 2019
Corn refinery	Dehui City of Changchun	600,000	September 2018 – August 2019
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000	September 2017 – August 2018

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of Loan Agreements

Reference is made to the joint announcement of the Company and GSH dated 31 October 2016. Under the various loan agreements (the "Loan Agreements") entered into between Jinzhou Yuancheng Biochem 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 GSH, 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 GSH 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 months 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 GSH 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 GSH Group. As at the date of this report, the GSH Group has yet to receive a waiver from the Lender for waiver of other remedies available to the Lender which include among others, declaring the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreements immediately due and payable. Despite the above non-compliance, the GSH Group has not experienced any difficulties in obtaining further financing with its banks for its working capital. The GSH 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

Provision of financial assistance to a supplier

Reference is made to the announcement of the Company dated 31 March 2015, financial guarantees were first granted by certain subsidiaries of the Company during November 2010 to March 2015 (the "Previous Financial Guarantee Contracts"). As disclosed in the joint announcement of the Company and GSH dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the previous loan advanced by 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") to a former major supplier of corn kernels of the Group, 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 were granted by subsidiaries of the Company to BOC to guarantee the obligations of the Former Supplier under the new supplier loan (together with the Previous Financial Guarantee Contracts, collectively the "Financial Guarantee Contracts"). The maximum principal amount guaranteed under the 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 Financial Guarantee Contracts in its interim and annual reports during the relevant periods when the 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

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**2,017,148**	2,062,303
Cost of sales		**(1,660,376)**	(1,978,388)
Gross profit		**356,772**	83,915
Other income and gains	*4*	**50,010**	103,303
Selling and distribution expenses		**(197,693)**	(146,105)
Administrative expenses		**(221,071)**	(136,386)
Other expenses		**(111,678)**	(264,827)
Finance costs	*5*	**(207,221)**	(239,147)
LOSS BEFORE TAX	*6*	**(330,881)**	(599,247)
Income tax expense	*7*	**(2,118)**	(210)
LOSS FOR THE PERIOD		**(332,999)**	(599,457)
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**(41,768)**	—
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(374,767)**	(599,457)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(312,491)**	(573,583)
Non-controlling interests		**(20,508)**	(25,874)
		(332,999)	(599,457)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(353,003)**	(573,583)
Non-controlling interests		**(21,764)**	(25,874)
		(374,767)	(599,457)
LOSS PER SHARE			
Basic and diluted	*9*	**HK(4.88) cents**	HK(8.96) 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*	**6,462,723**	6,390,498
Prepaid land lease payments		**576,078**	574,495
Deposits paid for acquisition of property, plant and equipment and prepaid land lease payments		**63,367**	50,310
Goodwill		**—**	—
Intangible assets		**5,362**	5,368
Interests in an associate		**—**	—
		7,107,530	7,020,671
CURRENT ASSETS			
Inventories		**545,987**	539,848
Trade and bills receivables	*11*	**469,735**	424,002
Prepayments, deposits and other receivables	*12*	**1,103,963**	878,224
Due from an associate		**31,608**	20,388
Pledged deposits		**192,024**	53,568
Cash and cash equivalents		**501,324**	896,487
		2,844,641	2,812,517
CURRENT LIABILITIES			
Trade and bills payables	*13*	**1,308,774**	1,543,439
Other payables and accruals		**1,871,402**	1,260,413
Current portion of interest-bearing bank and other borrowings		**4,332,278**	3,441,116
Tax payable		**171,699**	164,997
		7,684,153	6,409,965
NET CURRENT LIABILITIES		**(4,839,512)**	(3,597,448)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,268,018**	3,423,223

Condensed Consolidated Statement of Financial Position

30 June 2017

	Note	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**3,383,647**	4,191,332
Deferred tax liabilities		**32,665**	30,930
Deferred income		**145,477**	147,114
Convertible bonds		**885,063**	857,914
		4,446,852	5,227,290
NET LIABILITIES		**(2,178,834)**	(1,804,067)
CAPITAL AND RESERVES			
Share capital	*14*	**639,900**	639,900
Reserves		**(2,797,684)**	(2,444,681)
Deficit attributable to owners of the Company		**(2,157,784)**	(1,804,781)
Non-controlling interests		**(21,050)**	714
TOTAL DEFICIT		**(2,178,834)**	(1,804,067)

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*	**Share option reserve** *HK$'000*	**Asset revaluation reserve** *HK$'000*	**Convertible bonds reserve** *HK$'000*	**Other reserve** *HK$'000*	**Statutory reserve fund** *HK$'000*	**Exchange reserve** *HK$'000*	**Accumulated loss** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total deficit** *HK$'000*
At 1 January 2017	**639,900**	**2,839,469**	**–**	**401,092**	**290,585**	**15,677**	**112,074**	**2,025,157**	**(8,128,735)**	**(1,804,781)**	**714**	**(1,804,067)**
Loss for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(312,491)**	**(312,491)**	**(20,508)**	**(332,999)**
Other comprehensive income for the Period:												
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,512)**	**–**	**(40,512)**	**(1,256)**	**(41,768)**
Total comprehensive loss for the Period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,512)**	**(312,491)**	**(353,003)**	**(21,764)**	**(374,767)**
At 30 June 2017 (unaudited)	**639,900**	**2,839,469**	**–**	**401,092**	**290,585**	**15,677**	**112,074**	**1,984,645**	**(8,441,226)**	**(2,157,784)**	**(21,050)**	**(2,178,834)**

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

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*
OPERATING ACTIVITIES		
Loss before tax	**(330,881)**	(599,247)
Adjustments for:		
Interest expense	**180,073**	213,639
Bank interest income	**(1,080)**	(736)
Imputed interest on convertible bonds	**27,148**	25,508
Interest income on other receivable	**—**	(4,539)
Gain on disposal of property, plant and equipment	**(1,798)**	(26)
Depreciation	**197,543**	327,642
Amortisation of prepaid land lease payments	**11,082**	7,529
Amortisation of intangible assets	**7**	29
Amortisation of deferred income	**(4,890)**	(5,123)
(Reversal of impairment) impairment of other receivables	**(13,447)**	30,713
Impairment of property, plant and equipment	**—**	1,265
Impairment (reversal of impairment) of trade receivables	**6,771**	(15,823)
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	**(91)**	—
Reversal of write-off of trade receivables	**—**	(1,087)
(Reversal of write-down) write-down of inventories to net realisable value	**(6,585)**	6,454
	63,852	(13,802)

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*
Decrease in inventories	**12,714**	188,882
Increase in trade and bills receivables	**(42,868)**	(137,756)
Increase in prepayments, deposits and other receivables	**(192,372)**	(101,111)
Decrease in trade and bills payables	**(269,769)**	(186,040)
Increase in other payables and accruals	**582,451**	132,055
(Increase) decrease in amount due from an associate	**(10,757)**	5,928
Cash generated from (uses in) operations	**143,251**	(111,844)
Interest received	**1,080**	736
Overseas taxes paid	**(2,137)**	(1,109)
Net cash flows generated from (used in) operating activities	**142,194**	(112,217)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(153,268)**	(42,625)
Proceeds from disposal of property, plant and equipment	**7,474**	3,852
Net cash flows used in investing activities	**(145,794)**	(38,773)
FINANCING ACTIVITIES		
New bank loans raised	**1,781,444**	2,362,500
Repayment of bank loans	**(1,869,053)**	(2,365,278)
Interest paid	**(180,073)**	(213,639)
Pledged deposit	**(138,456)**	42,653
Disposal of equity investments at fair value through profit or loss	**—**	33,300
Net cash flows used in financing activities	**(406,138)**	(140,464)

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*
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(409,738)**	(291,454)
Cash and cash equivalents at beginning of period	**896,487**	1,567,426
Effect of foreign exchange rate changes, net	**14,575**	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**501,324**	1,275,972

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the board of Directors of the Company on 28 August 2017.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

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

Going concern

The Group recorded a net loss of approximately HK$333.0 million (2016: approximately HK$599.5 million) for the Period ended 30 June 2017 and as at that date, the Group recorded net current liabilities of approximately HK$4,839.5 million (31 December 2016: approximately HK$3,597.4 million) and net liabilities of approximately HK$2,178.8 million (31 December 2016: approximately HK$1,804.1 million). In addition, financial guarantees were first granted by certain subsidiaries of the Company during November 2010 to March 2015 as disclosed in the announcement made by the Company dated 31 March 2015 (the "Previous Financial Guarantee Contracts"). As disclosed in the joint announcement of the Company and Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") dated 8 August 2016 and the circular of the Company dated 6 September 2016, the term of the previous loan advanced by 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") to a former major supplier of corn kernels of the Group, Changchun Dajincang Corn Procurement, Ltd.(長春大金倉玉米收儲有限公司)("Dajincang" or the "Former Supplier") 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 new supplier guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by certain subsidiaries of the Company to BOC to guarantee the obligations of the Former Supplier under the new supplier loan (the "New Financial Guarantee Contracts", together with the Previous Financial Guarantee Contracts, collectively the "Financial Guarantee Contracts"). Any potential liabilities or obligations arising from the New Financial Guarantee Contracts 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 Directors of the Company have taken the following steps to improve the Group's financial position.

(a) Active negotiations with banks to obtain adequate bank borrowings and to restructure its debts

The management of the Company has been actively negotiating with the banks in the People's Republic of China (the "PRC", "China" or "Mainland China") to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. Pursuant to an agreement signed with four major lender banks of the subsidiaries of the Company and GSH on 22 September 2015 (the "Agreement"), in respect of the banking facilities granted to the subsidiaries of the Company and GSH in Changchun, the four major lender banks agreed 1) to lower the interest rate for the bank borrowings; 2) not to withdraw any banking facilities then provided; and 3) to take all possible measures to ensure the renewal of all existing bank borrowings. On 21 March 2016, at a meeting between the Company and three of the major lender banks in Changchun, the three lender banks reiterated their support to the subsidiaries of the Company and GSH in Changchun, confirmed the validity of the Agreement and expressed their intention to renew the existing banking facilities granted by them to the Company's and GSH's subsidiaries in Changchun upon expiry.

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

Going concern *(Continued)*

(a) *Active negotiations with banks to obtain adequate bank borrowings and to restructure its debts* *(Continued)*

On the other hand, the State Council of the PRC promulgated the "Opinions on Stabilising the Leverage Rate of Enterprises"《關於積極穩妥降低企業槓桿率的意見》, (the "Opinions") in October 2016 which aimed at promoting long-term sustainable economic development of the State. It explicitly stated the importance of lowering enterprise leverage rate in order to facilitate the structural reform of the supply side. The Opinions proposed merger and reorganisation of enterprises, improving enterprise system, optimising debt structure and conducting market oriented bank's debt-equity swap, etc., to resolve the problems associated with excess supply and to promote transformation and upgrade of business. In addition, the National Development and Reform Commission also indicated that the process of debt-equity swap would be market-driven. Banks, implementing agents and enterprises should, based on the principles of national policies, determine the terms and conditions of the debt-equity swap including the conversion price and conditions, structure of the swap and exit strategy, etc. Following the publication of the Opinions, the Group and the GSH Group have been actively studying the feasibility of the debt-equity swap. A proposal of debt-equity swap had been submitted to the Jilin Provincial Government for consideration. During the Period, the management of the Group had been working with relevant professional parties on fine-tuning the proposal. The management believes that the Group's financial position will improve substantially if the proposal is materialised.

(b) *Disposal of land and buildings located in Luyuan District, Changchun*

Reference is made to the joint announcement of the Company and GSH dated 2 March 2017. The Company and GSH had entered into termination agreements with 吉林省太陽神建築工程有限公司 (Jilin Province Taiyangshen Construction Engineering Co., Ltd.) (the "Former Purchaser") to terminate the property transfer agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and members of the GSH Group respectively in respect of the sale and purchase of pieces of land in Luyuan District, Changchun, the PRC and the buildings erected thereon ("Relevant Properties"); and the asset disposal agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and members of the GSH Group respectively in respect of the sale and purchase of including among others prepayments, trade and other receivables and/or inventories and tools of the Group and the GSH Group. During the negotiation process with the Former Purchaser with respect to the termination agreements, the Company had been in discussion with another potential purchaser in respect of the sale and purchase of the Relevant Properties. The potential purchaser is a municipal government-owned enterprise. Pursuant to a memorandum of understanding entered into between the Group and the potential purchaser, it is expected that the potential purchaser shall purchase the Relevant Properties with a consideration of not less than RMB2.2 billion, subject to the price to be determined by way of auction. Although the negotiation for the proposed disposal is still at a preliminary stage, given the potential purchaser is a municipal government owned enterprise, the management is prudently optimistic that the disposal will be materialised. During the Period, the discussion with the potential purchaser has been ongoing. If the disposal of the Relevant Properties is materialised, the Group will have additional funds to finance its operations and the capital expenditure for relocation of their production facilities in Changchun.

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

Going concern *(Continued)*

(b) Disposal of land and buildings located in Luyuan District, Changchun (Continued)

In order to expedite the disposal of Relevant Properties, as announced by the Company and GSH on 21 July 2017, the Group entered into an agreement with the GSH Group, for the acquisition by the Group of two subsidiaries of GSH, namely, Changchun Dihao Foodstuff Development Co., Ltd. ("Dihao Foodstuff") and Changchun Dihao Crystal Sugar Industry Development Co., Ltd. ("Dihao Crystal Sugar"), (collectively referred to as the "Target Companies") in Changchun on 21 July 2017.

As the Target Companies own part of land which accounts for approximately one-fifth of the total site area in Luyuan District, it would be more efficient for the Group 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. The management expects that the purchase of the Target Companies could help expedite the process of negotiation with the potential purchaser, as well as the process of completion as such transaction would only be handled by the management of the Group without involving the management of the GSH Group.

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

The Group has taken 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.

(d) Financial support from the ultimate holding entity of a major shareholder

In March 2016, the Group received a written confirmation from the then ultimate holding entity of a major shareholder of the Company, 吉林省交通投資集團有限公司 (Jilin Province Communication Investment Group Co., Ltd.) 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 the Company 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 major shareholder of the Company. The Group has 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 吉林吉糧資產供應鏈管理有限公司(Jilin Jiliang Assets Supply Chain Management Co., Ltd., "Jiliang"), a subsidiary of Nongtou, in May 2017 to ensure a stable supply of corn kernels and lower the cost of raw materials. Nongtou was established in August 2016 and its paid up registered capital amounted to RMB461.1 million at 30 June 2017. It 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 GSH Group to provide synergistic effects among its various investments in the agricultural sector in Jilin Province and commit to provide adequate and sufficient financial support to the Group and the GSH Group.

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

Going concern *(Continued)*

Based on the considerations as outlined in (a), (b), (c) and (d) above, the Directors are of the view that the Group could operate as a going concern in foreseeable future. The validity of the going concern assumption on which the interim condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors and the development of the events as described above. The interim condensed consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and reclassification of non-current asset and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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.

New amendments	
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Def erred 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:

New standards, amendments or interpretations		**Effective date**
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*	1 January 2018
Amendments to HKFRS 15	Clarification of HKFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Amendments to HKAS 40	Transfer of investment Property	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Annual improvements to HKFRSs	2014 – 2016 Cycle	1 January 2018
HK(IFRIC) – Int 22	Foreign Currency Translations and Advance Consideration	1 January 2018

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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 about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit or loss, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with that of the Group's except that interest income, finance costs, government grants (excluding subsidies for processing of corn kernels), fair value gains or losses and disposal gains or losses from financial instruments as well as corporate income and expenses are excluded from such measurement.

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Segment results:

For the six months ended 30 June 2017

	Upstream products HK$'000	Amino acids HK$'000	Corn sweeteners HK$'000	Polyol chemicals HK$'000	Total HK$'000
Revenue from external customer	**675,489**	**1,006,037**	**332,752**	**2,870**	**2,017,148**
Segment results	**(120,986)**	**65,367**	**(17,122)**	**(10,016)**	**(82,757)**
Bank interest income					**1,080**
Unallocated revenue					**32,611**
Unallocated expenses					**(74,594)**
Finance costs					**(207,221)**
Loss before tax					**(330,881)**
Income tax expense					**(2,118)**
Loss for the Period					**(332,999)**

For the six months ended 30 June 2016

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

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**2,017,148**	2,062,303
Other income and gains		
Bank interest income	**1,080**	736
Net (loss) profit arising from the sale of packing materials and by-products	**(2,137)**	16,424
Government grants*	**20,380**	27,548
Interest income on other receivables	**—**	4,539
Reversal of write-off of trade receivables	**—**	1,087
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	**91**	—
Deferred income	**4,890**	—
Reversal of impairment of trade receivables	**13,447**	15,823
Gain on disposal of items of property, plant and equipment	**1,798**	26
Others	**10,461**	37,120
	50,010	103,303

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

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**179,834**	213,639
Finance costs for discounted bills receivable	**239**	—
Imputed interest on convertible bonds	**27,148**	25,508
	207,221	239,147

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Raw materials and consumables used	**1,619,142**	1,831,590
Impairment of property, plant and equipment	**—**	1,265
Depreciation	**197,543**	327,642
Gain on disposal of property, plant and equipment	**(1,798)**	(26)
Amortisation of prepaid land lease payments	**11,082**	7,529
Amortisation of intangible assets	**7**	29
Impairment (reversal of impairment) of trade receivables	**6,771**	(15,823)
Reversal of write-off of trade receivables	**—**	(1,087)
(Reversal of write down) write-down of inventories to net realisable value	**(6,585)**	6,454
Reversal of impairment of deposits paid for acquisition of property, plant and equipment	**(91)**	—
(Reversal of impairment) impairment of other receivables	**(13,447)**	30,713

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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 had no assessable profits in Hong Kong during the Period.

The statutory tax rate for subsidiaries operating in Mainland China was 25% for the six months ended 30 June 2017 (2016: 25%).

8. DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 30 June 2017 (2016: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2017 is based on the loss for the Period attributable to owners of the Company and the weighted average number of 6,398,998,360 ordinary shares (2016: 6,398,998,360).

No diluted loss per share is presented for the six months ended 30 June 2017 and 2016 as conversion of the Company's convertible bonds would result in an anti-dilutive effect. Therefore, diluted loss per share is the same as basic loss per share for the six months ended 30 June 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

	Note	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
At 1 January		6,390,498	6,301,975
Additions		140,220	124,265
Exchange realignment		135,224	(365,417)
Reclassified from held for sale		—	1,084,266
Disposals		(5,676)	(2,670)
Depreciation	6	(197,543)	(473,862)
Revaluation		—	(20,633)
Impairment	6	—	(257,426)
At 30 June 2017/31 December 2016		6,462,723	6,390,498

11. TRADE AND BILLS RECEIVABLES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Trade receivables	809,612	732,965
Bills receivable	30,250	47,371
Impairment	(370,127)	(356,334)
	469,735	424,002

The Group normally allows credit terms to established customers ranging from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management of the Group. The Group's trade receivables relate to a large number of diversified customers. There is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 1 month	**223,953**	198,996
1 to 2 months	**107,823**	48,990
2 to 3 months	**41,956**	47,747
3 to 6 months	**57,900**	41,737
Over 6 months	**38,103**	86,532
	469,735	424,002

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Prepayments	**133,084**	161,187
Deposits and other receivables	**846,244**	709,934
Receivables from corn subsidies	**124,635**	7,103
	1,103,963	878,224

As at 30 June 2017, deposits and other receivables amounting to approximately HK$888 million (31 December 2016: HK$824 million) was due from Dajincang.

On 14 April 2016, certain members of the Group and the GSH Group entered into agreements ("Asset Disposal Agreements") with the Former Purchaser to dispose of, among others, the receivable from Dajincang at an aggregate consideration of approximately RMB845 million (equivalent to HK$1,006 million).

Reference is made to the joint announcement of the Company and GSH dated 2 March 2017. The Company and GSH have entered into termination agreements with Former Purchaser to terminate the Asset Disposal Agreements dated 14 April 2016 entered into between the Former Purchaser and certain members of the Group and members of the GSH Group respectively in respect of the sale and purchase of including among others prepayments, trade and other receivables and/or inventories and tools of the Group and the GSH Group. The receivable from Dajincang is then reclassified to current assets under normal credit terms. Yet these receivables are considered irrecoverable and further provision for impairment has been made, amounting to HK$820 million. As a result, the net carrying amount of receivable from Dajincang amounted to approximately HK$68 million as at 30 June 2017.

13. TRADE AND BILLS PAYABLES

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 1 month	**181,784**	322,270
1 to 2 months	**78,748**	27,012
2 to 3 months	**23,751**	18,357
Over 3 months	**1,024,491**	1,175,800
	1,308,774	1,543,439

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

14. SHARE CAPITAL

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (31 December 2016: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
6,398,998,360 (31 December 2016: 6,398,998,360) ordinary shares of HK$0.10 each	**639,900**	639,900

15. FINANCIAL GUARANTEES

Since November 2010, several subsidiaries established in Mainland China entered into financial guarantee contracts with BOC in respect of certain bank borrowings of Dajincang. The maximum guaranteed amount were RMB2.5 billion as at 31 December 2016 and 30 June 2017. These financial guarantee contracts were disclosed as contingent liabilities in the financial statements, but their fair values were not recognised in the financial statements as at 30 June 2017 and in previous years. Please refer to the Company's announcement dated 6 September 2016 and the 2016 Annual Report for details of the financial guarantee contracts.

16. CAPITAL COMMITMENTS

At as 30 June 2017, the Group had capital commitments as follows:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Contracted, but not provided for acquisition of production facilities and building	**619,262**	310,496

17. RELATED PARTY TRANSACTIONS

(a) Balances with related parties

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Due from an associate	**31,608**	20,388
Due to a related party	**398,000**	—

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

The amount due to a related party were included in the other payables and accruals of condensed consolidated statement of financial position as at 30 June 2017.

(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	**4,291**	3,294
Post-employment benefits	**24**	27
	4,315	3,321