2019 INTERIM REPORT

GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

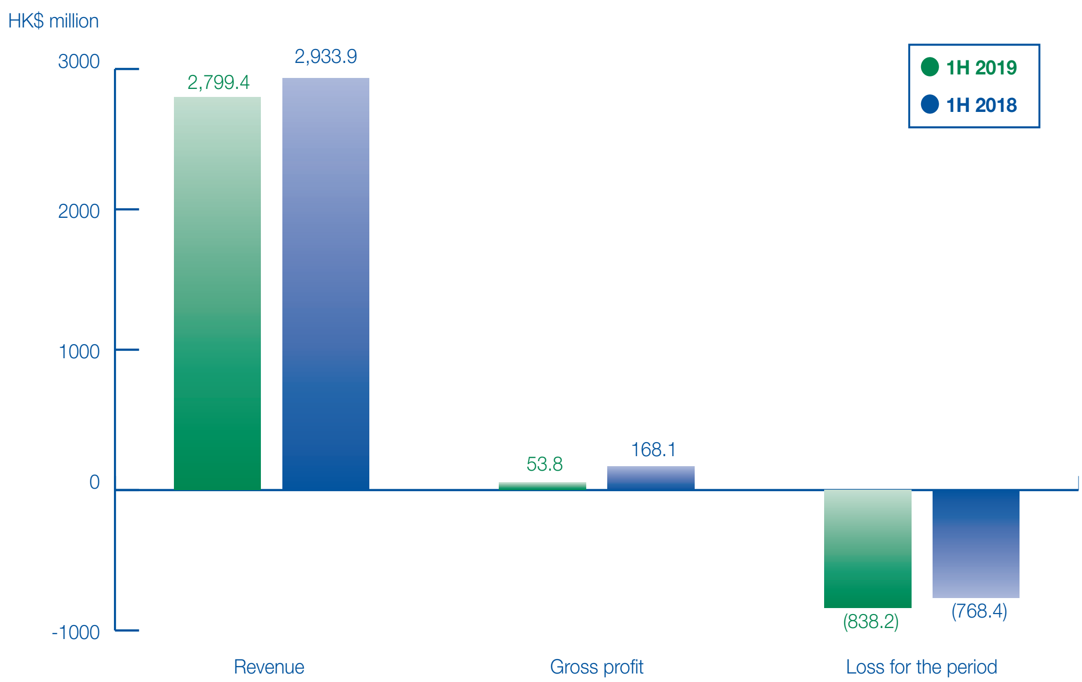
Stock Code: 00809

* For identification purpose only

Contents

Financial Highlights

	Six months ended 30 June		
	2019 (Unaudited)	2018 (Unaudited)	Change %
Revenue (HK$'Mn)	**2,799.4**	2,933.9	(4.6%)
Gross profit (HK$'Mn)	**53.8**	168.1	(68.0%)
Loss before tax (HK$'Mn)	**(838.2)**	(767.6)	N/A
Loss for the period (HK$'Mn)	**(838.2)**	(768.4)	N/A
Basic loss per share (HK cents)	**(12.5)**	(11.2)	N/A
Interim dividend per share (HK cents)	**Nil**	Nil	N/A



Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Yuan Weisen *(Chairman)*
Mr. Zhang Zihua
Mr. Liu Shuhang

Non-executive Director
Ms. Liang Wanpeng

Independent non-executive Directors
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam
Mr. Zhao Jin

COMPANY SECRETARY

Mr. Chan Sing Fai, HKICS, 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

Suites 2202-04, 22nd Floor
Tower 6, The Gateway
9 Canton Road
Tsimshatsui
Kowloon
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants
42nd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

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

PRINCIPAL BANKERS

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

The Export-Import Bank of China Jilin Province Branch
Floor 19-21, Honghui International Square
No. 3299 Renmin Road, Chaoyang District
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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

Message to Shareholders

Dear Shareholders,

In the first half of 2019, the Group's business performance faced severe challenges, as the gross profit and sales volume of lysine product series continued to decline due to rising costs of raw material and the continued impact of the African Swine Flu. The above coupled with high finance costs had resulted in a net loss of the Group for the Period. The Group strove to optimise the utilisation rate of its facilities and to strengthen cost control to mitigate the impact of the unfavourable market conditions on its operations during the Period. To ease the financial pressure faced by the Group, the management had been actively negotiating with banks and the local government to facilitate the process of debt restructuring and the overall business restructuring, in order to improve the Group's financial position and operations.

BUSINESS REVIEW

Due to shrinking demands, the sales volume of the Group's amino acid and sweetener product series declined during the Period. As a result, the Group's overall revenue decreased by 4.6% year-on-year. During the period under review, corn price remained high, which added pressure on the Group's costs. The major shareholder of the Company, Nongtou, continued to provide support to the Group through corn procurement arrangement. Such arrangement aimed at securing stable supply of raw material for the Group as well as easing the financial pressure of the Group through the granting of longer credit periods. Nevertheless, as there were notable declines in the average selling prices of the Group's upstream products and amino acid products due to the impact of the African Swine Flu, the Group recorded a significant retreat in the overall gross profit and a further decline in the gross profit margin. As a result, the net loss for the Period increased as compared to that of the same period last year.

High corn price had increased the cost of raw material of the Group's upstream corn starch and other corn refined products segments. The improvement in the operational efficiency in the Group's Xinglongshan and Jinzhou sites during the period under review, however, helped reduce the production costs and partially offset the increase in raw material cost. In addition, the output and sales volume increased due to better capacity utilisation in Xinglongshan and Jinzhou sites. As a result, the gross profit of upstream products increased by 14 times year-on-year during the Period.

Affected by the continued impact of the African Swine Flu, the number of domestic live pigs significantly decreased. The demand for pork also shown a downward trend. The price and sales volume of amino acid product series, which is mainly used as feed, decreased, resulting in a gross loss in the lysine business. On the other hand, the tight financial situation of the Group also had certain impact on the development of the lysine business.

With respect to the Group's sweeteners business, as a number of customers in the Huadong area started to expand upstream to produce sweeteners in-house during the Period, the demand for sweeteners was further hit hard. As market competition intensified, both sales volume and revenue of the Group's sweeteners products were under pressure.

In order to enhance the overall operational efficiency and flexibility of business units, the Group had given greater autonomy to each production base with respect to procurement and sales, enabling each production base to swiftly respond to market conditions, while improving the initiative and motivation of the business units.

Message to Shareholders

In the face of the Group's high debt level and heavy finance costs, the management of the Group continued to actively seek solutions to completely improve its financial position with the aim to get the business back on track. During the period under review, the management of the Group held regular meetings with the representatives of the principal lending banks in the PRC, The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province, Jilin Province Local Financial Supervision Administration and Nongtou to finalise the debt restructuring proposal of the Group. To show their continued support to the Group, the lending banks had agreed that the interest payment of the Group would be settled annually instead of monthly so as to ease the pressure on the Group's cash flow. The Group will also continue its effort to speed up the disposal of land in Luyuan District in order to free up capital to improve cash flow and explore an overall business restructuring plan to improve profitability.

In August this year, the Group successfully completed the allotment of shares to an independent third party. This share allotment enables the Group to introduce a new strategic investor, which not only strengthens the Group's capital, but is also conducive to the Group's future business development.

OUTLOOK

Since the impact of the African Swine Flu will linger for some time, demand for the Group's corn-refined products and lysine is expected to remain sluggish in the second half of the year. The feed related industry will continue to face challenges, and the price of lysine will remain at a relatively low level in the second half of 2019. On the other hand, corn price rose slightly in June as the domestic corn inventory had been gradually digested. Moreover, the rising demand for corn ethanol in the US will support further increase in corn price.

In the second half of the year, the Group will continue to step up efforts in energy conservation and consumption reduction, and enhance operational efficiency through optimising production process and strengthening cost control. In addition, the Group will leverage its research and development capabilities to develop new products and restructure the product portfolio of polyols. The Group will accelerate the launch of high value-added products to enhance the overall profitability upon the easing of its tight cash flow problem.

On the other hand, the management of the Group will continue its effort to finalise the debt and business restructuring proposals in the second half of 2019, in order to improve the Group's financial position and cash flow situation. At the same time, the Group will actively work with the local government to accelerate the disposal of land in Luyuan District, including the realisation of the land, in order to obtain funds for relocation and introduce high value-added products, thus adding value to existing product portfolios.

Last but not least, I would like to take this opportunity to thank all the staff of the Group for their dedication to coping with the challenging market environment with highly flexible and positive approaches. I would also like to express my heartfelt gratitude to the shareholders, business partners and banks for their trust and long-term support to the management over the years. I and my fellow board members will steer the Group back on track.

Chairman
Yuan Weisen

27 August 2019

Management Discussion and Analysis

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

BUSINESS REVIEW

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

During the six months ended 30 June 2019 (the "Period"), despite the continuous effort of the state government to stimulate economic growth of the People's Republic of China ("PRC" or "China"), the trade tensions between the PRC and the United States (the "US") added uncertainties to the overall economic environment in the PRC. Economic growth rate in the PRC slowed down to 6.2% in the second quarter of 2019 which was the lowest since 1992. On the other hand, the outbreak of African Swine Flu (the "ASF") across Asia since 2018 had continued to weigh on the feed industry during the Period. As such, the performance of the Group for the Period was under pressure.

With respect to the corn supply, global corn production for the year 2019/20 is expected to drop to 1,105 million metric tonnes ("MT") (2018/19: 1,123 million MT) due to reduced output in the US according to the United States Department of Agriculture. Due to strong demand from the ethanol industry and the unfavourable weather condition for corn plantation in the US, international corn price soared to 503 US cents per bushel (equivalent to RMB1,361 per MT) (end of June 2018: 358 US cents per bushel, equivalent to RMB932 per MT) by the end of the Period. In the PRC, notwithstanding the demand from the feed industry shrunk as a result of the outbreak of the ASF in China, demand from corn-based ethanol had helped to fuel the demand for corn. In addition, as stated in the annual report of the Company for the year ended 31 December 2018 (the "2018 Annual Report"), the ageing corn stock in the PRC would gradually be digested in 2019, corn supply and demand is expected to be back in balance. As such, the corn price in China increased slightly to approximately RMB1,800 per MT (end of June 2018: RMB1,727 per MT) by the end of June 2019. With a relatively balanced supply and demand condition of corn kernels, the outlook on the corn refinery industry will be dependent on the control over the ASF in various Asian countries and the global economic environment including the development of the China-US trade tensions.

With respect to the Group's lysine business, the outbreak of the ASF across the country continued to put pressure on the husbandry industry during the Period. More than 1.1 million pigs had been slaughtered in China since the outbreak in 2018 to control the spread of the ASF. As a result, the demand for feed products such as lysine reduced significantly. Since the ASF also hit other Asian countries during the Period, the export market for the lysine products shrunk as a result, leading to intense domestic competition. The overall utilisation rate of the lysine manufacturers in the PRC was kept low during the Period. As such, lysine prices were maintained at a range of RMB7,000 to RMB8,400 per MT. The increased cost of upstream raw material has also weighed on the profit margins of the Group's amino acid products. In light of the challenging market sentiment, the management has been optimising the facility utilisation in response to market changes during the Period. Despite this, the Group's lysine segment recorded a gross loss of approximately HK$34.7 million (2018: gross profit: HK$81.3 million) for the Period.

As for the sugar market, increased production in various major sugar producing countries during the 2018/19 harvest has kept the international sugar price low at 12.32 US cents per pound (equivalent to RMB1,871 per MT) (end of June 2018: 12.35 US cents per pound, equivalent to RMB1,808 per MT) by the end of June 2019. In the PRC, domestic sugar production remained at similar level at 10.6 million MT in the 2018/19 harvest (2017/18: 10.5 million MT), with domestic sugar price dropped to RMB5,390 per MT (end of June 2018: RMB5,580 per MT) by end of June 2019. The huge difference between international sugar price and domestic sugar price has increased the competitiveness of imported sugar. As such, the government has implemented a series of measures to narrow the gap between international and domestic sugar prices, including raising import tariff for sugar imports without quota. Although sugar price continues to influence the price of sweeteners to a certain extent, years of industry development has got customers accustomed to the user-friendliness of corn sweeteners, the substitution effect between sugar and sweeteners is no longer as prominent as it used to be. Sugar price fluctuation has become a reference point for the pricing of sweeteners. As for the sweeteners market, there had been changes in the end user market in the Huadong area of the PRC during the Period. A number of users have opted for vertical integration and expanded upstream to secure their feedstocks. As a result, the market of sweeteners has shrunk which means competition has further intensified. As competition becomes keen, the Group will continue to leverage on its brand name to strengthen sales; and at the same time, utilise its research and development capabilities to develop products that better suit market needs. Nevertheless, it is estimated that global sugar production going forward may fall due to weather condition and policy changes in various sugar producing countries. Coupled with the increased demand from biofuel such as ethanol, sugar price may rebound by end of 2019 which could help narrow the difference between the international and domestic sugar prices.

The operating environment for the Group's polyol chemical business continued to be challenging during the Period. The Group's research and development team has been 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 pending the availability of capital. The management will continue to observe the market and take a prudent approach before resuming its polyol chemical business.

The uncertainty over the trade war between China and the US has left the farmers in the two countries unsure about planting. As such, the outlook on the supplies of corn and soybean (traditionally a lysine substitute) are still subject to a number of variables that will in turn influence their pricing. The operating environment in the second half of 2019 is expected to be challenging. 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 achieve operational efficiency in response to market movements. Internally, the Group is backed by its indirect major shareholder with state-owned enterprise background. 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.

UPDATE ON REMEDIAL MEASURES

The consolidated financial statements of the Group for the year ended 31 December 2018 had been subject to a disclaimer of opinion by the auditor of the Company as detailed in the 2018 Annual Report. Further to the management's response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed "Update on Remedial Measures" in the 2018 Annual Report, the management of the Company wishes to provide the latest update on the relevant remedial measures taken or to be taken as follows, which have been considered, recommended and agreed by the audit committee of the Company (the "Audit Committee") after its critical review of the management's position for the Period:

1. Financial guarantee contracts

As detailed in the 2018 Annual Report, the previous supplier guarantees contracts ("Previous Supplier Guarantees") given by members of the Group for the benefit of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.) ("Dajincang") were not recognised in the Group's consolidated financial statements for the year ended 31 December 2018 because the professional valuer could not proceed with the valuation, as the Company was unable to obtain reliable financial information of Dajincang for professional valuer to conduct an accurate valuation. During the Period, as the Company was still not able to obtain such information despite continuous enquiries and requests made to Dajincang, the Company and the valuer were not able to conduct a valuation of the financial guarantee contracts for financial reporting purpose.

As disclosed in the joint announcement of the Company and Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group") dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the loan ("Previous Supplier 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 Dajincang under certain loan agreements ("Previous Supplier Loan Agreements") entered into between Dajincang and BOC with an aggregate principal amount of RMB2.49 billion had expired in December 2018, and Dajincang still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for all indebtedness due and owing to BOC ("New Supplier Loan"). As a condition to the New Supplier Loan, new supplier guarantees ("New Supplier Guarantees") to be granted by certain subsidiaries of the Company to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The amount drawn down by Dajincang as at 30 June 2019 and up to the date of this report amounted to RMB2.49 billion (31 December 2018: RMB2.49 billion). During the Period, the Group recognised the finance costs amounted to approximately HK$56.7 million (six months ended 30 June 2018: HK$70.8 million) to BOC pursuant to the New Supplier Guarantees, which was included in other expenses for the Period.

During the Period, the Group has continued to find solutions to release the Group from its obligations under the New Supplier Guarantees. As disclosed in the 2018 Annual Report, Mr. Yuan Weisen, the chairman of the Company and the management of the Company met with the representatives of BOC on behalf of the Group regularly during 2018. The debt-equity swap proposal had also been discussed amongst BOC, the People's Government of Jilin Province, the relevant professional parties and the management of the Company on a regular basis. Subsequently, the further revised debt-equity swap proposal ("Further Revised Debt-Equity Swap Proposal") was submitted by the Group to the Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group, the introduction of strategic investor(s) in order to strengthen the capital of the Group and other alternatives to resolve the audit modification in respect of the financial guarantee contracts given by members of the Group, such as the option to include the indebtedness of Dajincang in the debt-equity swap proposal. The Further Revised Debt-Equity Swap Proposal has been passed on to the headquarters of the Bank of China by the Bank of China Jilin Province Branch, and further submitted to the People's Government of Jilin Province in August 2018 for their consideration. During the Period, the discussion has been on-going. For further details of the progress of the Further Revised Debt-Equity Swap Proposal, please refer to point (a) in note 2.2 to the interim condensed consolidated financial statements.

2. Material uncertainty relating to going concern

As detailed in the 2018 Annual Report, the auditor has raised fundamental uncertainties relating to the ability of the Group to continue as going concern. In addition to the remedial actions disclosed in the 2018 Annual Report, the management has taken and will take steps as outlined in note 2.2 to the interim condensed consolidated financial statements of the Group for the Period to improve the Group's financial position.

Dependent on the successful and favourable outcomes of the steps being taken as described in note 2.2 to the interim condensed consolidated financial statements of the Group for the Period, the board (the "Board") of directors (the "Directors"), including the Audit Committee, is of the view that the Group has sufficient working capital for at least 12 months from the date of this report. Please refer to note 2.2 to the interim condensed consolidated financial statements of the Group for the Period for details. In addition, in relation to financial support from the indirect major shareholder, the Group received a renewed written confirmation dated 30 June 2019 from 吉林省農業投資集團有限公司(Jilin Province Agricultural Investment Group Co., Ltd.) ("Nongtou", together with its subsidiaries, the "Nongtou Group") in which Nongtou has reassured that it will continue to support the Group on a going concern basis by using its resources and connections including financial support through loans and borrowings and operation support including supplying corn kernels to the Group.

3. Prepayments, deposits and other receivables

As detailed in the 2018 Annual Report, the Group shall receive an aggregate compensation of RMB719.0 million from the 長春市土地儲備中心 (Changchun Land Reserve Centre) ("Land Reserve Centre") for the resumption of certain buildings, machineries and fixtures erected on a piece of land in Changchun, the PRC. As at 31 December 2018, a receivable from the Land Reserve Centre amounting to RMB400.0 million was still outstanding. The auditor was unable to obtain sufficient appropriate audit evidence on the recoverability of the receivable. As such, the auditor was unable to determine whether any adjustments to the receivable as at 31 December 2018 were necessary.

Based on the understanding of the management of the Company, the outstanding receivable of RMB400.0 million is recoverable but is subject to the completion of sale and purchase of pieces of land in Luyuan District, Changchun, the PRC and the buildings erected thereon (the "Relevant Properties") with the potential purchaser (the "Potential Purchaser"), which is a municipal government-owned enterprise, as the Potential Purchaser shall facilitate the repayment of the receivable of RMB400.0 million. As such, the management of the Company has been actively negotiating with the Potential Purchaser in respect of the sale and purchase of the Relevant Properties including the arrangement of the repayment of the receivable of RMB400.0 million.

In addition, the Group has received an official document dated 28 April 2018 from 長春市保障性安居工程領導小組 (Changchun Safeguard Housing Project Leading Group) in which the Relevant Properties have been confirmed as part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Such policy is expected to speed up the process of the disposal of the Relevant Properties through shortened procedures and exemption of certain taxes. In addition, the Group has received a land resumption prepayment in the amount of approximately RMB377.0 million from the Potential Purchaser as at 30 June 2019, which was paid via the Changchun Municipal Government, to secure the disposal of the Relevant Properties. The Group and the Changchun Municipal Government have jointly engaged a professional valuer to conduct the valuation of the Relevant Properties.

On 27 September 2018, the Changchun Safeguard Housing Project Leading Group held another meeting in which the site location and area of the Relevant Properties had been confirmed. As at the date of this report, the valuation for the Relevant Properties is still on-going. The Group is currently awaiting for an execution notice for the redevelopment under the PRC's Slum Redevelopment Policy granted by the Changchun Municipal Government. Meanwhile, the management of the Company had also discussed other alternatives with the Changchun Municipal Government to speed up the process of the disposal of the Relevant Properties, among others, the realisation of the land via the Further Revised Debt-Equity Swap Proposal. Depending on the availability of such execution notice, the agreement on the result of the valuation among the parties and the result of other alternatives, it is currently expected that the realisation of a portion of the Relevant Properties will take place in the end of 2019.

Upon the materialisation of the disposal of the Relevant Properties to the Potential Purchaser, it is expected that the outstanding receivable of RMB400.0 million will be recovered accordingly.

4. Other payables and accruals

As detailed in the 2018 Annual Report, the Potential Purchaser agreed to advance funding to facilitate the relocation of the Group's production facilities, which was paid via the Changchun Municipal Government according to the progress of the relocation and such advance payment in aggregate of RMB377.0 million was received by the Group in 2015 and 2018 from the Changchun Municipal Government directly. Such amount would be deducted from the proceeds of the sale of Relevant Properties subsequent to the completion of the sale. The amount was recorded as other payables and accruals in the consolidated financial statements of the Group in 2018. The auditor has arranged confirmation in order to obtain sufficient appropriate audit evidence to verify the balance of the advance payment and the management of the Company had also helped follow up on the return of the confirmation. However, the auditor was unable to obtain direct confirmation from the Potential Purchaser or other sufficient appropriate audit evidence to verify the balance of the advance payment at 31 December 2018.

Similar to the view as outlined in (3) above, the management of the Company is of the view that such other payables and accruals would be settled upon the materialisation of the disposal of the Relevant Properties to the Potential Purchaser.

FINANCIAL PERFORMANCE

The consolidated revenue of the Group decreased slightly by 4.6% to approximately HK$2,799.4 million (2018: HK$2,933.9 million) during the Period, which was mainly attributable to the decrease in sales volume of the Group's downstream lysine and sweetener products. As for the cost of raw material, due to changes in the agricultural subsidy policy of the provincial governments, no corn procurement subsidies (2018: HK$41.8 million) was entitled to the Group during the Period. On the other hand, despite the demand for corn from the feed industry shrank as a result of the ASF, the price of corn remained stable during the Period as the supply of corn kernels tightened with the China's ageing corn stock gradually digested and the strong demand from the biofuel sector. The Group's corn purchase price increased by 2.3% during the Period. Meanwhile, due to the influence of the ASF, the average selling price of the Group's upstream other corn-refined products and amino acid products decreased by 26.1% and 10.5% respectively during the Period. As a result, the Group's gross profit and gross profit margin decreased by 68.0% and 3.8 percentage points respectively to approximately HK$53.8 million (2018: HK$168.1 million) and 1.9% (2018: 5.7%) respectively.

Due to the high debt level of the Group, the finance cost continued to weigh on the Group's performance. The Group recorded a net loss of HK$838.2 million (2018: HK$768.4 million) and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of HK$268.1 million (2018: HK$196.2 million) during the Period. To improve the financial performance and financial position of the Group, the management focuses its efforts on 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 operational efficiency in the Xinglongshan site; 2) actively negotiating with banks on the debt-equity swap proposal and other alternatives to lower the debt level of the Group; 3) ensuring a stable supply of corn kernels through the connections of Nongtou by entering into the corn procurement contracts; and 4) introducing potential investors to further strengthen the working capital and financial position of the Group.

Upstream products

(Sales amount: HK$1,441.9 million (2018: HK$1,269.4 million))
(Gross profit: HK$28.8 million (2018: HK$1.9 million))

During the Period, the revenue of the Group's upstream business increased by 13.6% to approximately HK$1,441.9 million (2018: HK$1,269.4 million). Such increase was mainly attributable to the increase in sales volume. Although the increase in the price of corn kernels and the changes in the corn procurement subsidy programme have led to an increase in raw material cost, the operational efficiency of the Group's upstream corn-refineries in Xinglongshan and Jinzhou sites have improved during the Period. The combined effect has led to the decrease in the cost of sales per MT of corn starch and other corn refined products by 5.1% and 25.8% respectively. However, the decrease in cost of sales per MT of corn starch has been partly offset by the drop in the average selling price of corn starch segment by 3.5%, the gross profit margin of corn starch segment was kept at approximately 13.3% (2018: 11.9%). Unfortunately, the unfavourable market condition of the feed industry during the Period had significantly dragged down the average selling price of other corn refined products by 26.1%. Consequently, the other corn refined products segment recorded a gross loss margin of 19.9% (2018: 19.2%). The Group's upstream business recorded a gross profit of approximately HK$28.8 million (2018: HK$1.9 million) for the Period.

The sales volume of corn starch and other corn refined products were approximately 372,000 MT (2018: 299,000 MT) and 282,000 MT (2018: 202,000 MT) respectively. Internal consumption of corn starch was approximately 48,000 MT (2018: 67,000 MT), which was mainly used as raw material for the Group's downstream production.

Amino acids

(Sales amount: HK$888.0 million (2018: HK$1,092.0 million))
(Gross loss: HK$34.7 million (2018: Gross profit: HK$81.3 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$888.0 million (2018: HK$1,092.0 million), representing 31.7% (2018: 37.2%) of the Group's revenue. Due to the impact of the ASF, the sales volume of amino acids dropped by 16,000 MT to 162,000 MT (2018: 178,000 MT), and the average selling price of amino acids was under great pressure. Along with the cost pressure from the upstream segment, the amino acids segment recorded a gross loss of approximately HK$34.7 million

(2018: gross profit: HK$81.3 million), with a gross loss margin of 3.9% (2018: gross profit margin: 7.4%) during the Period. Since it is expected that the effect of the ASF will linger for a while, the outlook on feed related industry will be challenging going forward. While the China-US trade tensions will continue to add uncertainty to the global and domestic demand for feed and meat products, the Group's research and development team will strive to dedicate its effort to lower production cost, at the same time, proactively look for opportunities to develop other amino acid products complementary to the current product mix of the Group and to cater to different types of animals. 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 more choices and better services to its customers.

Corn sweeteners

(Sales amount: HK$465.6 million (2018: HK$561.9 million))
(Gross profit: HK$57.9 million (2018: HK$83.5 million))

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

During the Period, the sales volume of corn sweeteners dropped by 19.4% to approximately 150,000 MT (2018: 186,000 MT) due to keen competition in the market, revenue declined by 17.1% to approximately HK$465.6 million (2018: HK$561.9 million). As a result of decreased sales volume and cost pressure from the upstream operation, the gross profit of the corn sweeteners segment decreased by 30.7% to approximately HK$57.9 million (2018: HK$83.5 million) during the Period, with gross profit margin dropped by 2.5 percentage points to approximately 12.4% (2018: 14.9%).

As mentioned in the "Business Review" section, it is estimated that global sugar production going forward may fall due to weather condition and policy changes in various sugar producing countries. Coupled with the increased demand from biofuel such as ethanol, sugar price may be expected to rebound by end of 2019. The Group will closely monitor market movements and adjust its production volume and product mix to cater the customer needs.

Polyol chemicals

(Sales amount: HK$3.9 million (2018: HK$10.6 million))
(Gross profit: HK$1.8 million (2018: HK$1.4 million))

Polyol chemicals segment consists of polyol chemicals such as glycols and resins, anti-freeze products, hydrogen and ammonia. High corn price in the past years has lowered 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, notwithstanding that the revenue of polyol chemicals segment declined by 63.2% to approximately HK$3.9 million (2018: HK$10.6 million), as substantial provision in relation to the closing inventories of polyol chemicals has been made in previous years, the polyol chemicals segment recorded a gross profit of approximately HK$1.8 million (2018: HK$1.4 million) with gross profit margin improved to 46.2% (2018: 13.2%).

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

Export Sales

During the Period, export sales accounted for 16.6% (2018: 23.6%) of the Group's total revenue. The export sales of upstream products and amino acids decreased by 35.0% and 34.6% to approximately HK$95.5 million (2018: HK$147.0 million) and HK$338.9 million (2018: HK$518.1 million) respectively during the Period. Such decrease was mainly attributable to the outbreak of the ASF across Asia. On the other hand, the export sales of corn sweeteners increased by 13.8% to approximately HK$30.5 million (2018: HK$26.8 million). As a result, the total export sales decreased by 32.8% to approximately HK$464.9 million (2018: HK$691.9 million) during the Period. No export sales of polyol chemicals was recorded during the Period (2018: Nil).

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

Other income and gains

During the Period, other income and gains decreased slightly by 2.4% to approximately HK$80.7 million (2018: HK$82.7 million), which mainly consisted of gain on deemed disposal of a subsidiary amounted to HK$35.8 million (2018: Nil), reversal of write-down of inventories amounted to HK$8.3 million (2018: HK$23.4 million), reversal of impairment of trade and bills receivables amounted to HK$6.3 million (2018: HK$10.6 million) and government grants amounted to HK$5.0 million (2018: HK$21.8 million).

Selling and distribution costs

During the Period, selling and distribution costs decreased by 14.8% to approximately HK$247.7 million (2018: HK$290.6 million), accounting for 8.8% (2018: 9.9%) of the Group's revenue. Such decrease was mainly attributable to the decline in sales volume of the Group's downstream products.

Administrative expenses

During the Period, administrative expenses decreased by 9.0% to approximately HK$212.5 million (2018: HK$233.6 million), representing 7.6% (2018: 8.0%) of the Group's revenue. As the number of headcounts had been reduced during the Period, administrative expenses decreased slightly as a result.

Other expenses

During the Period, other expenses increased by 10.4% to HK$211.0 million (2018: HK$191.1 million). It was mainly attributable to the expenses arising from the increase in idle capacity in Harbin site; as such, the total expenses in relation to idle capacity of certain production facilities of the Group increased by HK$13.0 million to approximately HK$106.8 million (2018: HK$93.8 million).

Finance costs

During the Period, the interest on payables to suppliers increased to HK$64.2 million (2018: HK$39.0 million). Meanwhile, the interest on bank and other borrowings dropped to HK$194.0 million (2018: HK$225.4 million). As a result, the finance costs of the Group were kept at similar level at approximately HK$301.2 million (2018: HK$303.1 million).

Income tax expenses

As all the subsidiaries of the Group recorded tax losses during the Period, no income tax expenses (2018: HK$0.8 million) was provided during the Period.

Loss shared by non-controlling shareholders

During the Period, GSH and other non-wholly-owned subsidiary recorded a loss of approximately HK$106.1 million (2018: HK$136.3 million), leading to loss shared by the non-controlling shareholders amounted to approximately HK$37.7 million (2018: HK$48.5 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2019 decreased by approximately HK$172.4 million to approximately HK$7,825.6 million (31 December 2018: HK$7,998.0 million) as a result of repayment of the bank borrowings. On the other hand, the cash and bank balances and pledged bank deposits as at 30 June 2019 decreased by approximately HK$150.1 million to approximately HK$188.9 million (31 December 2018: HK$339.0 million). As a result, the net borrowings decreased only slightly to approximately HK$7,636.7 million (31 December 2018: HK$7,659.0 million).

Structure of interest-bearing bank and other borrowings

As at 30 June 2019, the Group's interest-bearing bank and other borrowings amounted to approximately HK$7,825.6 million (31 December 2018: HK$7,998.0 million), all (2018: all) of the interest-bearing bank and other borrowings were denominated in Renminbi. The average interest rate during the Period was approximately 6.9% (2018: 6.2%).

The percentage of interest-bearing bank and other borrowings wholly repayable within one year and in the second to the fifth years were 71.0% and 29.0% (31 December 2018: 76.6% and 23.4%), respectively. As at 30 June 2019, interest-bearing bank and other borrowings amounted to approximately RMB342.0 million (31 December 2018: RMB453.0 million) have been charged at fixed interest rates ranging from 6.0% to 13.6% (31 December 2018: 6.0% to 13.6%) for terms from one year to three years. 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 based on the initial conversion price of HK$0.23 (subject to adjustment) per share 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 has 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 new shares at any time after the date falling three calendar months following the date of issue of the Convertible Bonds until the date 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 shall not be less than 25% or any given percentage as required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). No conversion right has been exercised by Modern Agricultural as at the date of this report.

At 30 June 2019, the Convertible Bonds were divided into liability component and equity component which amounted to HK$1,002.5 million and HK$290.6 million (31 December 2018: HK$971.8 million and HK$290.6 million) respectively and effective imputed interest of HK$30.8 million (2018: HK$28.9 million) was charged 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 decreased to approximately 29 days (31 December 2018: 37 days) due to the strengthened control on credit terms. Meanwhile, the trade payables turnover days extended to approximately 135 days (31 December 2018: 129 days) during the Period, as better credit terms have been offered by the Nongtou Group to the Group during the Period. As the Group's inventories dropped by 15.1% to HK$633.1 million (31 December 2018: HK$745.5 million), the inventory turnover days improved to 42 days (31 December 2018: 50 days).

As at 30 June 2019, the current ratio and the quick ratio of the Group declined to 0.2 (31 December 2018: 0.3) and 0.1 (31 December 2018: 0.2), respectively. Such declines were mainly due to the increase of net current liabilities by approximately HK$165.8 million. The Group recorded a net loss of approximately HK$838.2 million (30 June 2018: HK$768.4 million) during the Period, leading to the recorded net liabilities value of approximately HK$4,376.7 million (31 December 2018: HK$3,570.5 million). As a result, gearing ratio in terms of debts (i.e. total interest-bearing bank and other borrowings) to total deficit and debts (i.e. aggregate total of shareholders deficit, non-controlling interests and total interest-bearing bank and other borrowings) increased to 226.9% (31 December 2018: 180.6%). To improve the financial position of the Group, the Company has adopted several strategic measures as mentioned in note 2.2 to the interim condensed consolidated financial statements.

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 16.6% (2018: 23.6%) 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. In spite of the China-US trade tensions and the depreciation of Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation in the short run. 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 the 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 2019, the Group had approximately 4,400 (31 December 2018: 4,600) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the 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 discretionary bonuses.

Disclosure of Additional Information

INTERIM DIVIDEND

The Board has resolved not to recommend any payment of interim dividend in respect of the Period (six months ended 30 June 2018: Nil).

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

As at 30 June 2019, none of the Directors and chief executives of the Company had any interests or short position in the shares of the Company (the "Shares"), underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 2019, 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 Shares:

Name	Notes	**Number of Shares held**	**Approximate percentage of the Company's issued share capital**
Mr. Liu Xiaoming	1	343,666,400	5.37
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 5.37% of interest in the Company through his interest in (i) 19,090,400 Shares as beneficial owner and (ii) 324,576,000 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 ("Modern Agricultural Holdings") which is in turn wholly owned by 吉林省現代農業產業投資基金(有限合夥)(Jilin Province Modern Agricultural Industry Investment Fund (LLP) ("PRC LLP"). The sole general partner of PRC LLP is 吉林省現代農業產業基金有限公司(Jilin Province Modern Agricultural Industry Fund Limited) ("GP"). As at 30 June 2019, 20.0% of the investment capital of PRC LLP is owned by Nongtou and the transfer of a further 40.0% of the investment capital of PRC LLP to Nongtou from a company controlled by 吉林省交通投資集團有限公司(Jilin Province Communication Investment Group Co., Ltd.) ("Jiaotou") is pending for completion. As announced by the Company on 2 March 2017, during the transition period before the completion, such 40.0% of the investment capital of PRC LLP shall be managed by Nongtou. 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 吉林省人民政府國有資產監督管理委員會(State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province) ("Jilin SASAC"). Each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Jiaotou, Nongtou and Jilin SASAC are deemed to be interested in the interest held by the Company.

Save as disclosed above, as at 30 June 2019, no person had interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

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

The roles of the chairman and chief executive officer of the Company are separate and exercised by different persons. As at the date of this report, Mr. Yuan Weisen is the chairman of the Company and is mainly responsible for providing leadership and directions to the Board. On 1 October 2018, Mr. Kong Zhanpeng resigned as the chief executive officer of the Company and no replacement has yet been made after his resignation. As of the date of this report, Mr. Wang Guicheng has been appointed as the chief operating officer and is responsible for overseeing the operation management and product development of the Group.

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

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

AUDIT COMMITTEE

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

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 Period have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The members of the remuneration committee of the Company (the "Remuneration Committee") consist of two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the committee) and Mr. Zhao Jin 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 assesses performance of executive Directors and approves the terms of executive Directors' service contracts.

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") comprises two independent non-executive Directors, namely Mr. Ng Kwok Pong (the chairman of the committee) and Mr. Zhao Jin, 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 CG Code, or other applicable laws, regulations, rules and codes.

Disclosure of Additional Information

EXECUTIVE COMMITTEE

The executive committee of the Company (the "Executive Committee") comprises three executive Directors, namely Mr. Yuan Weisen (the chairman of the committee), Mr. Zhang Zihua and Mr. Liu Shuhang. 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 Executive 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.

(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 Executive Committee by the Board from time to time.

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

Termination of transaction in relation to the transfer of two subsidiaries in Changchun from the GSH Group to the Group

Reference is made to the joint announcements of the Company and GSH dated 21 July 2017, 16 January 2018, 16 July 2018 and 31 December 2018 in relation to the transfer of two subsidiaries in Changchun from the GSH Group to the Group (the "Transaction") and the joint announcement of the Company and GSH dated 12 March 2019, in relation to the termination of the Transaction. The relevant member of the GSH Group was advised by the relevant bank that the final approval would only be given subject to certain conditions which were considered and not accepted by the relevant member of the GSH Group. While no consensus for alternative solution can be reached between the relevant member of the GSH Group and the relevant bank, both the Group and the GSH Group have been actively negotiating with their lending banks for the restructuring of the debts of their member companies in Changchun, the PRC, including the debt-equity swap proposal of the Group and the GSH Group.

Since the restructuring of debt involves a number of banks in the PRC, the parties consider it more appropriate to keep the current corporate structure as is in order to facilitate the negotiation and approval process.

Therefore, in view of the above, on 12 March 2019, the Vendors and the Purchaser have mutually agreed to terminate the S&P Agreement, and neither party shall have any claim against each other under the S&P Agreement.

Subscription of new shares under the general mandate

As disclosed in the announcement of the Company dated 19 July 2019, the Company entered into the subscription agreement (the "Subscription Agreement") with the HK Bloom Investment Limited, a company established under the British Virgin Islands laws with limited liability (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new shares (the "Subscription Shares") at the subscription price of HK$0.10 per Subscription Share (the "Subscription"). The Subscription Shares represent 20.0% of the total issued share capital of the Company immediately before the completion of the Subscription (the "Subscription Completion") and approximately 16.7% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. All conditions precedent to the Subscription have been fulfilled or waived and the Subscription Completion took place on 20 August 2019.

The Subscription Shares were allotted and issued under the general mandate granted to the Directors by an ordinary resolution of the shareholders passed at the annual general meeting of the Company held on 28 June 2019 to allot, issue and deal with up to 1,279,799,672 shares of the Company, representing 20.0% of the issued share capital of the Company as at 28 June 2019. Please refer to the Company's announcements dated 19 July 2019 and 20 August 2019 for further details regarding the Subscription.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2018 Annual Report, in relation to among others, the relocation of production facilities of the Group to the Xinglongshan site.

The relocation plan of the Group will be financed by the Group's internal resources, and the management of the Company is of the view that the existing technology know-how of the Group is sufficient for the relocation of the production facilities.

In view of the changes in the operating environment, the Group has reviewed the relocation projects and revised the feasibility studies for submission to among others, the relevant government parties for approval. As such, the expected time for relocation of production facilities is revised 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** (MT per annum)	**Expected time for the relocation of production facilities** (Note)
Methanol	the Xinglongshan site	165,000	Tentatively to be completed by 2020
Modified starch — food grade (phase 1)	the Xinglongshan site	20,000	June 2019 – May 2020
Modified starch (phase 2)	the Xinglongshan site	60,000	December 2019 – October 2020
Corn oil	the Xinglongshan site	63,000	June 2019 – May 2020
Lysine	the Xinglongshan site	100,000	Pending the availability of capital and favourable market condition
Corn refinery	Dehui City of Changchun	600,000	Pending the availability of capital and favourable market condition
Amino acids (other varieties of amino acids complementary to current product mix with smaller capacity)	the Xinglongshan site	20,000	Pending the availability of capital and favourable market condition

Note:

The expected time for relocation of production facilities are subject to the final decision of the management from time to time, taking into account the relevant product markets and the obtaining of the approval from among others, the relevant government bodies on the feasibility studies. The timetable may thus change accordingly of which the Group shall update its investors as and when appropriate.

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 21 September 2018. Under a loan agreement (the "Loan Agreement") entered into between錦州大成食品發展有限公司 (Jinzhou Dacheng Food Development Co., Ltd.) ("Jinzhou Dacheng"), which is an indirect wholly owned subsidiary of GSH, and 中國銀行股份有限公司錦州港支行 (Bank of China Jinzhou Port Branch) (the "Lender") in respect of a 12-month fixed term loan due in December 2018 (the "Loan"), Jinzhou Dacheng is required to, among others, satisfy a financial covenant as to the debt-to-assets ratio. Failure to comply with such financial covenant 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. The Loan is guaranteed by GSH and certain members of the GSH Group have also provided guarantees and securities to secure the Loan.

Based on the unaudited management accounts of Jinzhou Dacheng for the eight months ended 31 August 2018, Jinzhou Dacheng has failed to fulfill certain financial covenants under the Loan Agreement. Such breach entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable. In addition, such breach may also trigger the cross default provisions in other loan agreements entered into by the GSH Group.

On 18 December 2018, Jinzhou Dacheng signed a renewal agreement to renew the Loan Agreement pursuant to which the due date of the Loan has been extended to December 2019 and based on the unaudited management accounts of Jinzhou Dacheng for the six months ended 30 June 2019, certain financial covenant under the Loan Agreement has yet to be fulfilled. As at the date of this report, the outstanding principal amount under the Loan Agreement is RMB20.0 million and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement. The breach of the Loan Agreement may trigger cross default provisions ("Cross Default") in other loan agreements entered into by the GSH Group in the aggregate outstanding principal amount of approximately RMB452.9 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. The GSH Group is in the process of applying for the relevant waivers from the lenders in relation to the Cross Default. Despite the above non-compliance, the GSH Group has been able to obtain financing with its banks for its working capital during the Period. Further announcement(s) will be made by the Company and GSH to update the status of the waivers as and when appropriate.

Disclosure of Additional Information

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Provision of financial assistance to Dajincang

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

As disclosed in the joint announcement of the Company and GSH dated 6 November 2018 and the circular of the Company dated 3 December 2018, the term of the previous loan advanced by BOC to Dajincang expired in December 2018 and Dajincang still did not have sufficient financial resources to repay the Previous Supplier Loan when the same fell due. To avoid immediate demand for full repayment of the Previous Supplier Loan by the guarantors or any of them pursuant to the Previous Supplier Guarantees, Dajincang proposed to refinance the Previous Supplier Loan by entering into the new loan agreements with BOC for the New Supplier Loan. New Supplier Guarantees with the maximum guaranteed amount of RMB2.5 billion were granted by several members of the Group and GSH Group to BOC to guarantee the obligations of Dajincang under the New Supplier Loan. The maximum principal amount guaranteed under the New Supplier Guarantees 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 rule 13.13 of the Listing Rules and to comply with rule 13.14 of the Listing Rules when there occurred a 3% or more increase in the assets ratio. The Company was also under a continuing disclosure requirement under rule 13.20 of the Listing Rules to disclose the New Supplier Guarantees in its interim and annual reports during the relevant periods when the New Supplier Guarantees is in effect.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June **2019** **(Unaudited)** ***HK$'000***	 2018 (Unaudited) *HK$'000*
REVENUE	4	**2,799,444**	2,933,947
Cost of sales		**(2,745,683)**	(2,765,887)
Gross profit		**53,761**	168,060
Other income and gains	4	**80,737**	82,720
Selling and distribution costs		**(247,701)**	(290,611)
Administrative expenses		**(212,517)**	(233,557)
Other expenses		**(210,967)**	(191,099)
Share of loss of a joint venture		**(394)**	—
Finance costs	5	**(301,160)**	(303,126)
LOSS BEFORE TAX	6	**(838,241)**	(767,613)
Income tax expenses	7	**—**	(789)
LOSS FOR THE PERIOD		**(838,241)**	(768,402)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Hong Kong		**29,146**	55,598
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(809,095)**	(712,804)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(800,581)**	(719,871)
Non-controlling interests		**(37,660)**	(48,531)
		(838,241)	(768,402)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(774,405)**	(670,780)
Non-controlling interests		**(34,690)**	(42,024)
		(809,095)	(712,804)
LOSS PER SHARE	9		
Basic		**HK(12.5) cents**	HK(11.2) cents
Diluted		**HK(12.5) cents**	HK(11.2) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**6,268,191**	6,496,030
Prepaid land lease payments		**—**	575,231
Right-of-use assets		**588,676**	—
Deposits paid for acquisition of property, plant and equipment		**60,908**	65,175
Goodwill		**—**	—
Intangible assets		**3,751**	3,806
Interests in an associate		**—**	—
Interests in a joint venture		**5,743**	—
		6,927,269	7,140,242
CURRENT ASSETS			
Inventories		**633,075**	745,493
Trade and bills receivables	11	**447,334**	574,267
Prepayments, deposits and other receivables	12	**792,501**	1,025,886
Due from an associate		**2,673**	—
Pledged bank deposits		**92,690**	203,918
Cash and bank balances		**96,182**	135,033
		2,064,455	2,684,597
CURRENT LIABILITIES			
Trade and bills payables	13	**1,943,223**	2,162,885
Other payables and accruals		**2,354,252**	2,012,269
Interest-bearing bank and other borrowings		**5,552,568**	6,127,288
Lease liabilities		**414**	—
Due to an associate		**—**	2,675
Due to a joint venture		**408**	—
Tax payables		**103,135**	103,237
		9,954,000	10,408,354
NET CURRENT LIABILITIES		**(7,889,545)**	(7,723,757)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(962,276)**	(583,515)

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**2,272,989**	1,870,716
Lease liabilities		**7,322**	—
Deferred income		**126,215**	133,759
Deferred tax liabilities		**5,370**	10,773
Convertible bonds		**1,002,522**	971,771
		3,414,418	2,987,019
NET LIABILITIES		**(4,376,694)**	(3,570,534)
CAPITAL AND RESERVES			
Share capital	14	**639,900**	639,900
Reserves		**(4,859,251)**	(4,087,781)
Deficit attributable to owners of the Company		**(4,219,351)**	(3,447,881)
Non-controlling interests		**(157,343)**	(122,653)
TOTAL DEFICIT		**(4,376,694)**	(3,570,534)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total deficit HK$'000
At 31 December 2018 as previously reported	639,900	2,839,469	799,638	290,585	15,677	113,944	2,036,220	(10,183,314)	(3,447,881)	(122,653)	(3,570,534)
Changes in accounting policy on adopting HKFRS16 (note 2.3)	–	–	–	–	–	–	–	(35)	(35)	–	(35)
At 1 January 2019, as restated	639,900	2,839,469	799,638	290,585	15,677	113,944	2,036,220	(10,183,349)	(3,447,916)	(122,653)	(3,570,569)
Loss for the period	–	–	–	–	–	–	–	(800,581)	(800,581)	(37,660)	(838,241)
Other comprehensive income for the period	–	–	–	–	–	–	28,391	–	28,391	755	29,146
Total comprehensive income (loss) for the period	–	–	–	–	–	–	28,391	(800,581)	(772,190)	(36,905)	(809,095)
Transactions with owners:											
Contributions and distributions											
Transfer	–	–	–	–	–	–	755	–	755	2,215	2,970
Total transactions with owners	–	–	–	–	–	–	755	–	755	2,215	2,970
At 30 June 2019 (unaudited)	639,900	2,839,469	799,638	290,585	15,677	113,944	2,065,366	(10,983,930)	(4,219,351)	(157,343)	(4,376,694)

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total deficit HK$'000
At 31 December 2017 and 1 January 2018	639,900	2,839,469	806,742	290,585	15,677	113,370	1,854,247	(8,967,522)	(2,407,532)	(58,992)	(2,466,524)
Loss for the period	–	–	–	–	–	–	–	(719,871)	(719,871)	(48,531)	(768,402)
Other comprehensive income for the period	–	–	–	–	–	–	49,091	–	49,091	6,507	55,598
Total comprehensive income (loss) for the period	–	–	–	–	–	–	49,091	(719,871)	(670,780)	(42,024)	(712,804)
At 30 June 2018 (unaudited)	639,900	2,839,469	806,742	290,585	15,677	113,370	1,903,338	(9,687,393)	(3,078,312)	(101,016)	(3,179,328)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(838,241)**	(767,613)
Adjustments for:		
Finance costs	**301,160**	303,126
Bank interest income	**(881)**	(9,128)
Depreciation of property, plant and equipment	**255,773**	254,942
Depreciation of right-of-use assets	**13,230**	—
Amortisation of prepaid land lease payments	**—**	13,309
Amortisation of intangible assets	**3**	8
Amortisation of deferred income	**(6,753)**	(5,411)
Loss on disposal of property, plant and equipment, net	**17**	29
Gain on disposal of right-of-use assets	**(2,210)**	—
Impairment (Reversal of impairment) of deposits paid for acquisition of property, plant and equipment, net	**33**	(504)
Reversal of write-down of inventories, net	**(8,696)**	(23,420)
Reversal of impairment of trade and bills receivables, net	**(6,257)**	(10,560)
Impairment of prepayments, deposits and other receivables, net	**19,499**	10,474
Share of loss of a joint venture	**(394)**	—
Gain on deemed disposal of a subsidiary	**(35,758)**	—
Changes in working capital:		
Inventories	**119,007**	106,333
Trade and bills receivables	**132,382**	(143,184)
Prepayments, deposits and other receivables	**196,063**	(80,227)
Trade and bills payables	**(218,576)**	322,433
Other payables and accruals	**358,823**	292,343
Due (to) from an associate	**(5,348)**	21,061
Due to a joint venture	**802**	—
Cash generated from operations	**273,678**	284,011
Interest received	**881**	9,128
Income taxes paid	**(102)**	(2,363)
Net cash generated from operating activities	**274,457**	290,776

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(30,725)**	(40,457)
Proceeds from disposal of property, plant and equipment	**4,057**	86
Net cash outflow on deemed disposal of a subsidiary	**(6,131)**	—
Net cash used in investing activities	**(32,799)**	(40,371)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings raised	**2,979,030**	867,780
Repayment of bank and other borrowings	**(3,114,056)**	(936,459)
Payment of lease liabilities	**(1,895)**	—
Interest paid	**(270,279)**	(274,233)
Pledged bank deposits	**111,228**	40,117
Net cash used in financing activities	**(295,972)**	(302,795)
Net decrease in cash and cash equivalents	**(54,314)**	(52,390)
Cash and cash equivalents at beginning of period	**135,033**	304,362
Effect of foreign exchange rate changes, net	**15,463**	6,884
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**96,182**	258,856
Analysis of balance of Cash and cash equivalents		
Cash and bank balances	**96,182**	258,856

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2019 (the "Period") were authorised for issue in accordance with a resolution of the board (the "Board") of directors (the "Directors") of the Company on 27 August 2019.

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability. 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 is located at Suites 2202-04, 22nd Floor, Tower 6, The Gateway, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Group is principally engaged in the manufacture and sale of corn refined products, amino acids, corn based biochemical products and corn sweeteners. There were no significant changes in the nature of the Group's principal activities during the Period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

2.2 GOING CONCERN

The Group recorded a loss of approximately HK$838.2 million (six months ended 30 June 2018: approximately HK$768.4 million) for the Period and as at 30 June 2019, had net current liabilities of approximately HK$7,889.5 million (31 December 2018: approximately HK$7,723.8 million) and net liabilities of approximately HK$4,376.7 million (31 December 2018: approximately HK$3,570.5 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts as discussed in note 16 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 and based on the recommendations of the audit committee of the Company (the "Audit Committee") after its critical review of the management's position, the management of the Company has taken the following steps to improve the Group's financial position:

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

2.2 GOING CONCERN *(Continued)*

(a) Active negotiations with banks to obtain adequate bank borrowings and to finalise the debt-equity swap proposal

The management of the Company has been actively negotiating with banks in the People's Republic of China (the "PRC" or "China") to secure the renewals of the Group's short-term and long-term bank loans to meet its liabilities when fall due. In addition, Mr. Yuan Weisen, the chairman of the Company and the management of the Company met with the representatives of 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch) ("BOC") on behalf of the Group regularly during 2018. The debt-equity swap proposal had also been discussed amongst BOC, the People's Government of Jilin Province, the relevant professional parties and the management of the Company on a regular basis. Subsequently, the further revised debt-equity swap proposal ("Further Revised Debt-Equity Swap Proposal") was submitted by the Group to the Bank of China Jilin Province Branch proposing, among others, the conversion of debt due to banks to equity in order to lower the debt ratio of the Group, the introduction of strategic investor(s) in order to strengthen the capital of the Group and other alternatives to resolve the audit modification in respect of the financial guarantee contracts, such as the option to include the indebtedness of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.) ("Dajincang") in the debt-equity swap proposal. The Further Revised Debt-Equity Swap Proposal has been reviewed by the Bank of China Jilin Province Branch and further submitted to the People's Government of Jilin Province in August 2018 for their consideration.

On 1 February 2019, a meeting amongst the representatives of the principal lending banks of the Group in the PRC, 吉林省人民政府國有資產監督管理委員會 (The State-Owned Assets Supervision and Administration Commission of the People's Government of Jilin Province) ("Jilin SASAC"), 吉林省地方金融監督管理局 (Jilin Province Local Financial Supervision Administration), 吉林省農業投資集團有限公司 (Jilin Province Agricultural Investment Group Co., Ltd.) ("Nongtou", together with its subsidiaries, the "Nongtou Group"), and the management of the Group was held in Changchun, in which the parties acknowledged the direction of the Further Revised Debt-Equity Swap Proposal and reinstated their intention to push through the execution of such proposal. The principal lending banks also confirmed at the meeting that during this transitional period, they would continue their support to the Group and agreed (1) not to withdraw any banking facilities already provided; (2) to take all possible measures to ensure the renewal of all existing bank borrowings; and (3) to allow interest payment to be settled annually instead of monthly so as to ease the pressure of cash flow of the Group.

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

2.2 GOING CONCERN *(Continued)*

(a) Active negotiations with banks to obtain adequate bank borrowings and to finalise the debt-equity swap proposal *(Continued)*

Subsequent to the meeting on 1 February 2019, the parties have been actively working on the details of the Further Revised Debt-Equity Swap Proposal. As at the date of this report, the negotiation about the Further Revised Debt-Equity Swap Proposal is still on-going, pending the finalisation of the details and the conditions with the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group in the PRC. The Company will endeavour to facilitate the materialisation of the Further Revised Debt-Equity Swap Proposal which shall resolve the audit modification in respect of the financial guarantee contracts as discussed in note 16 and the material uncertainty related to going concern of the Group and it is targeted that the Further Revised Debt-Equity Swap Proposal will be concluded by the end of 2019, subject to the due approvals from the People's Government of Jilin Province and the headquarters of the principal lending banks of the Group.

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

Reference is made to the joint announcement of the Company and Global Sweeteners Holdings Limited ("GSH" together with its subsidiaries, the "GSH Group") dated 2 March 2017 and the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report"). The Company and GSH have been in discussion with a potential purchaser (the "Potential Purchaser") in respect of the sale and purchase of pieces of land in Luyuan District, Changchun, the PRC and the buildings erected thereon (the "Relevant Properties"). The Potential Purchaser is a municipal government-owned enterprise. Pursuant to a letter of intent from 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. Given the Potential Purchaser is a municipal government-owned enterprise, the management is prudently optimistic that the disposal will be materialised. During the year ended 31 December 2018, the Group received an official document dated 28 April 2018 from the 長春市保障性安居工程領導小組 (Changchun Safeguard Housing Project Leading Group) in which the Relevant Properties have been confirmed as part of the subject properties for redevelopment under the PRC's Slum Redevelopment Policy. Such policy is expected to speed up the process of the disposal of the Relevant Properties through shortened procedures and exemption of certain taxes. In addition, the Group received a land resumption prepayment in the amount of approximately RMB197.0 million from the Potential Purchaser in June 2018. The total amount of land resumption prepayment received by the Group was approximately RMB377.0 million as at 30 June 2019, which were paid via the Changchun Municipal Government, to secure the disposal of the Relevant Properties. The Group and the Changchun Municipal Government have jointly engaged a professional valuer to conduct the valuation of the Relevant Properties.

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

2.2 GOING CONCERN *(Continued)*

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

On 27 September 2018, the Changchun Safeguard Housing Project Leading Group held another meeting in which the site location and area of the Relevant Properties had been confirmed. As at the date of this report, the valuation of the Relevant Properties is still on-going. The Group is currently awaiting for an execution notice for the redevelopment under the PRC's Slum Redevelopment Policy granted by the Changchun Municipal Government. Meanwhile, the management of the Company had also discussed other alternatives with the Changchun Municipal Government to speed up the process of the disposal of the Relevant Properties, among others, the realisation of the land via the Further Revised Debt-Equity Swap Proposal. 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 its production facilities in Changchun.

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

The Group has taken various measures to enhance the operational efficiency to lower operating costs and strengthen the competitiveness of the Group. During the Period, the Group has optimised its production in order to minimise operating cash outflows.

(d) Financial support from the indirect major shareholder

The Group has received a renewed written confirmation dated 30 June 2019 from Nongtou, an entity controlled by the Jilin SASAC, an indirect major shareholder of the Company, that it would continue to provide financial support to the Group in the following 24 months on a going concern basis and undertake all the liabilities that might arise from the financial guarantee contracts as discussed in note 16. Such assistance received by the Group is not secured by any assets of the Group.

In addition, the Group signed corn purchasing contracts for an aggregate amount of 750,000 metric tonnes ("MT") (six months ended 30 June 2018: 300,000 MT) of corn kernels with the subsidiaries of Nongtou in January 2019 to ensure a stable supply of corn kernels. During the Period, the Group purchased approximately 469,000 MT (six months ended 30 June 2018: 38,000 MT) of corn kernels from the subsidiaries of Nongtou which aggregately accounted for 54.9% (six months ended 30 June 2018: 4.2%) of total corn procurement of the Group.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 30 June 2019 amounted to RMB1,446.5 million (31 December 2018: RMB1,468.2 million). It is tasked to consolidate the state-owned investments in the agricultural sector in the Jilin Province. The management of the Company is of the view that Nongtou would be able to support the operations of the Group, provide synergistic effects among its various investments in the agricultural sector in the Jilin Province and provide adequate and sufficient financial support to the Group.

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

2.2 GOING CONCERN *(Continued)*

(e) Introducing potential investors to the Company

The management of the Company has also actively negotiated with a number of potential investors to inject capital to the Company during the Period. As announced by the Company on 19 July 2019, the Company entered into the subscription agreement (the "Subscription Agreement") with the HK Bloom Investment Limited, a company established under the British Virgin Islands laws with limited liability (the "Subscriber"), pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 new shares (the "Subscription Shares") at the subscription price of HK$0.10 per Subscription Share (the "Subscription").

The net proceeds from the Subscription in the amount of approximately HK$127,900,000 is expected to be used as general working capital of the Group and to further strengthen the financial position of the Group. Completion of the subscription (the "Subscription Completion") took place on 20 August 2019. Please refer to the Company's announcements dated 19 July 2019 and 20 August 2019 for further details.

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 management of the Company and the development of the events as described above. The Directors proposed to procure additional working capital through the steps mentioned above. After taking into account the above steps, the internal resources, the present and expected banking facilities available, the Group has sufficient working capital for at least 12 months from the date of this report. Therefore, 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 recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in preparing the interim condensed consolidated financial statements for the Period are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group and are effective for the Group's financial year beginning on 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs	2015 — 2017 Cycle

Except for HKFRS 16 which is explained below, the adoption of the new/revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the Period and prior years.

HKFRS 16 "Leases"

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation (and, if applicable, impairment loss) of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the condensed consolidated statement of cash flows applying HKAS 7.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has reviewed the financial impact of HKFRS 16 on all its contracts that are, or that contain, leases with effect from 1 January 2019. The Group has opted for the modified retrospective application permitted by HKFRS 16. Accordingly, HKFRS 16 has been applied for the periods from 1 January 2019 (i.e. the date of initial application) onwards. Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts at 1 January 2019 in equity.

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The reconciliation of operating lease commitment to lease liabilities is set out below:

	HK$'000
Operating lease commitment at 31 December 2018 and gross lease liabilities at 1 January 2019	9,919
Discounting	(417)
Lease liabilities at 1 January 2019	9,502

The adjustments resulted from the initial application of HKFRS 16 at 1 January 2019 are set out below. The prior period amounts were not adjusted.

	31 December 2018 (Audited) *HK$'000*	**HKFRS 16 Reclassification** *HK$'000*	**HKFRS 16 Contract capitalisation** *HK$'000*	**1 January 2019 (Unaudited)** *HK$'000*
Assets				
Prepaid land lease payments	575,231	(575,231)	–	–
Prepayments, deposits and other receivables	1,025,886	(19,887)	–	1,005,999
Right-of-use assets	–	595,118	9,467	604,585
	1,601,117	–	9,467	1,610,584
Liabilities				
Lease liabilities				
– Non-current portion	–	–	7,322	7,322
– Current portion	–	–	2,180	2,180
	–	–	9,502	9,502
Equity				
Accumulated losses	(10,183,314)	–	(35)	(10,183,349)

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Modified retrospective application of HKFRS 16 requires the Group to recognise a lease liability at the date of initial application for leases previously classified as an operating lease under the superseded HKAS 17, measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. As a practical expedient under HKFRS 16, the Group has not reassessed whether a contract is, or contains, a lease at the date of initial application. Instead, the Group applied HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and did not apply HKFRS 16 to contracts that were not previously identified as containing a lease applying HKAS 17. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics for determination of present value of the remaining lease payments. The right-of-use assets have been recognised, on a lease-by-lease basis, at respective carrying amounts as if HKFRS 16 had been applied since the commencement date, but discounted using the Group's incremental borrowing rate of 2.4% at the date of initial application.

Based on the practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liability and right-of-use asset to leases for which the lease term ends within twelve months of the date of initial application.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four (six months ended 30 June 2018: 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 sweeteners, including glucose, maltose, high fructose corn syrup 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 in relations to resources allocation and performance assessment. Segment performance is evaluated based on reportable segment's profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that finance costs as well as corporate income and expenses are excluded from such measurement.

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results

For the six months ended 30 June 2019

	Upstream products HK$'000	Amino acids HK$'000	Corn sweeteners HK$'000	Polyol chemicals HK$'000	Elimination HK$'000	Total HK$'000
Revenue from:						
External customers	1,441,945	887,951	465,628	3,920	–	2,799,444
Intersegment	71,635	–	–	1,082	(72,717)	–
Total revenue	1,513,580	887,951	465,628	5,002	(72,717)	2,799,444
Segment results	(348,929)	(173,842)	(42,473)	(12,053)		(577,297)
Bank interest income						881
Unallocated income						68,605
Unallocated expenses						(29,270)
Finance costs						(301,160)
Loss before tax						(838,241)
Income tax expenses						–
Loss for the period						(838,241)

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results *(Continued)*

For the six months ended 30 June 2018

	Upstream products *HK$'000*	Amino acids *HK$'000*	Corn sweeteners *HK$'000*	Polyol chemicals *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue from:						
External customers	1,269,428	1,092,030	561,872	10,617	–	2,933,947
Intersegment	88,708	–	57,632	–	(146,340)	–
Total revenue	1,358,136	1,092,030	619,504	10,617	(146,340)	2,933,947
Segment results	(309,487)	(109,143)	(15,001)	(14,498)		(448,129)
Bank interest income						9,128
Unallocated income						73,592
Unallocated expenses						(99,078)
Finance costs						(303,126)
Loss before tax						(767,613)
Income tax expenses						(789)
Loss for the period						(768,402)

(b) Geographical information

Revenue information based on location of customers

	Six months ended 30 June	
	2019 (Unaudited) ***HK$'000***	2018 (Unaudited) *HK$'000*
The PRC	**2,334,563**	2,241,951
Asia, the Americas and other regions	**464,881**	691,996
	2,799,444	2,933,947

4. REVENUE, OTHER INCOME AND GAINS

	Notes	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Revenue from contracts with customers within HKFRS 15			
Sale of goods	(a)	**2,799,444**	2,933,947
Other income and gains			
Amortisation of deferred income		**6,753**	5,411
Bank interest income		**881**	9,128
Gains arising from the sale of packing materials and by-products, net		**662**	—
Government grants	(b)	**4,994**	21,765
Foreign exchange gain, net		**1,982**	—
Reversal of impairment of deposits paid for acquisition of property, plant and equipment, net		**—**	504
Reversal of write-down of inventories, net		**8,330**	23,395
Reversal of impairment of trade and bills receivables, net		**6,257**	10,560
Gain on disposal of right-of-use assets		**2,210**	—
Gain on deemed disposal of a subsidiary	15	**35,758**	—
Others		**12,910**	11,957
		80,737	82,720

Notes:

(a) The revenue from contracts with customers within HKFRS 15 is based on fixed price and recognised at a point in time.

(b) Government grants represented rewards to certain subsidiaries of the Company located in the PRC with no further obligations and conditions to be complied with.

5. FINANCE COSTS

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**193,971**	225,371
Finance costs for discounting bills receivables	**2,810**	9,845
Interest on financial guarantees given by Nongtou	**9,290**	—
Interest on payables to suppliers	**64,208**	39,017
Imputed interest on convertible bonds	**30,751**	28,893
Interest on lease liabilities	**130**	—
	301,160	303,126

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**2,734,606**	2,784,824
Depreciation of property, plant and equipment	**255,773**	254,942
Depreciation of right-of-use assets	**13,230**	—
Amortisation of prepaid land lease payments	**—**	13,309
Amortisation of intangible assets	**3**	8
Amortisation of deferred income	**(6,753)**	(5,411)
Loss on disposal of property, plant and equipment, net	**17**	29
Gain on disposal of right-of-use assets	**(2,210)**	—
Gain on deemed disposal of a subsidiary	**(35,758)**	—
Impairment (Reversal of impairment) of deposits paid for acquisition of property, plant and equipment, net	**33**	(504)
Reversal of write-down of inventories, net	**(8,696)**	(23,420)
Reversal of impairment of trade and bills receivables, net	**(6,257)**	(10,560)
Impairment of prepayments, deposits and other receivables, net	**19,499**	10,474
Corn subsidies, included in cost of sales	**—**	(41,754)

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2019 (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Current tax — The PRC enterprise income tax	**–**	789
Income tax expenses	**–**	789

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Period and the six months ended 30 June 2018.

No provision of the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax losses during the Period (six months ended 30 June 2018: The PRC enterprise income tax was provided at the rate of 25%).

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2018: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share for the Period is based on the loss for the Period attributable to owners of the Company of approximately HK$800,581,000 (2018: HK$719,871,000) and the weighted average number of 6,398,998,360 ordinary shares (2018: 6,398,998,360 ordinary shares).

As the assumed conversion of the convertible bonds has an anti-dilutive effect, the diluted loss per share was equal to the basic loss per share for the six months ended 30 June 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
At 1 January 2019/1 January 2018	**6,496,030**	7,188,318
Additions	**30,725**	144,541
Disposals	**(18,274)**	(8,971)
Depreciation	**(255,773)**	(480,349)
Exchange realignment	**15,483**	(347,509)
At 30 June 2019/31 December 2018	**6,268,191**	6,496,030

11. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade receivables	**833,493**	940,904
Bills receivables	**8,255**	37,444
	841,748	978,348
Loss allowance	**(394,414)**	(404,081)
	447,334	574,267

The Group normally allows credit terms of 30 to 90 days (31 December 2018: 30 to 90 days) to established customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management of the Group.

Trade and bills receivables are non-interest-bearing. 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.

11. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 month	**183,338**	364,311
1 to 2 months	**77,326**	100,316
2 to 3 months	**46,470**	61,595
3 to 6 months	**47,712**	28,967
Over 6 months	**92,488**	19,078
	447,334	574,267

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Prepayments	**86,548**	314,187
Deposits and other debtors	**108,548**	77,682
The PRC value-added tax ("VAT") and other tax receivables	**122,270**	158,882
Receivables from disposal of assets (note)	**475,135**	475,135
	792,501	1,025,886

Note:

Included in the receivables from disposal of assets was the remaining consideration receivable from a government bureau in respect of the disposal of certain buildings, machineries and fixtures erected on a piece of land located in Luyuan District in Changchun during the year ended 31 December 2014, which amounted to HK$454,545,000 (31 December 2018: HK$454,545,000) at 30 June 2019. The Group is currently in discussion with the Potential Purchaser on the disposal of the Relevant Properties, and the transfer of the receivable to the Potential Purchaser is part of the discussion.

13. TRADE AND BILLS PAYABLES

	Notes	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Trade payables			
— To third parties	(a)	**1,306,342**	1,484,899
— To the Nongtou Group	(b)	**540,846**	444,302
		1,847,188	1,929,201
Bills payables		**96,035**	233,684
		1,943,223	2,162,885

Notes:

(a) At 30 June 2019, the trade payables to third parties included balances payable to a state-owned supplier of HK$79.7 million (31 December 2018: HK$79.7 million), which are unsecured and interest-bearing at 8.0% to 9.0% per annum (31 December 2018: 8.0% to 9.0% per annum) after the credit periods lapsed.

(b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 8.0% to 12.0% per annum (31 December 2018: 8.0% to 12.0% per annum) after the credit periods lapsed.

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2018: 30 to 90 days) from its suppliers.

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

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Within 1 month	**391,082**	738,933
1 to 2 months	**215,890**	359,794
2 to 3 months	**233,130**	131,550
Over 3 months	**1,103,121**	932,608
	1,943,223	2,162,885

14. SHARE CAPITAL

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (31 December 2018: 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 2018: 6,398,998,360) ordinary shares of HK$0.10 each	**639,900**	639,900

15. DEEMED DISPOSAL OF A SUBSIDIARY AND DEEMED ACQUISITION OF A JOINT VENTURE

On 2 January 2019, the Group entered into a capital increase agreement ("Capital Contributions") with a third party (the "Investor"), pursuant to which the Group shall make contribution in kind of HK$8,000,000 by way of transferring of land use rights of a parcel of land in Changchun and the Investor shall make contribution in cash of approximately HK$26,902,000 to 長春萬祥玉米油有限公司(Changchun Wanxiang Corn Oil Co., Ltd.) ("Wanxiang").

Following the completion of the Capital Contributions on 1 May 2019, the Group's effective equity interest in Wanxiang was diluted from 79.4% to 43.5% and Wanxiang ceased to be a subsidiary of the Company. Although a majority of board members of Wanxiang shall be nominated by the Group, the decision of certain key matters shall be approved by both the Group and the Investor. Therefore, Wanxiang becomes a joint venture of the Group upon the completion of the Capital Contributions.

15. DEEMED DISPOSAL OF A SUBSIDIARY AND DEEMED ACQUISITION OF A JOINT VENTURE *(Continued)*

The details are as follows:

(i) Interests in a joint venture

	HK$'000
Goodwill	10,217
Share of net liabilities, at initial recognition	(2,217)
Unrealised portion of the gain on disposal of a parcel of land	(2,123)
	5,877

(ii) Goodwill

	HK$'000
Fair value of a parcel of land contributed to a joint venture	8,000
Share of net liabilities, at initial recognition	2,217
	10,217

(iii) Gain on deemed disposal of a subsidiary

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	14,201
Intangible assets	52
Inventories	2,107
Trade receivables	808
Prepayments, deposits and other receivables	1,703
Cash and bank balances	6,131
Interest-bearing bank borrowings	(45,455)
Trade payables	(1,085)
Other payables and accruals	(14,220)
Total identifiable net liabilities	(35,758)
Gain on deemed disposal of a subsidiary	35,758
	–

	HK$'000
Satisfied by:	
Investment retained in a joint venture (former subsidiary)	–

15. DEEMED DISPOSAL OF A SUBSIDIARY AND DEEMED ACQUISITION OF A JOINT VENTURE *(Continued)*

(iv) Analysis of net outflow of cash and cash equivalents in respect of deemed disposal of a subsidiary:

	HK$'000
Cash and cash equivalents deemed disposed	(6,131)
Net outflow of cash and cash equivalents in respect of deemed disposal of a subsidiary	(6,131)

(v) Analysis of gain on deemed disposal of a subsidiary:

	HK$'000
Net liabilities deemed disposed	35,758
Investment retained in a joint venture, at fair value	—
Gain on deemed disposal of a subsidiary	35,758

16. FINANCIAL GUARANTEE CONTRACTS

Several subsidiaries of the Company have jointly provided corporate guarantees to a bank in the PRC in respect of banking facilities granted to Dajincang starting from 2010 (the "Financial Guarantee Contracts"). The maximum amount of the banking facilities was RMB2.5 billion at 30 June 2019 (31 December 2018: RMB2.5 billion). The Directors have tried to engage a professional valuer to assess the fair value of the Financial Guarantee Contracts. However, since the Company was unable to obtain sufficient and reliable financial information of Dajincang, the professional valuer was unable to complete the valuation. Therefore, no financial guarantee liability has been recognised in the interim condensed consolidated financial statements in respect of the Financial Guarantee Contracts.

During the Period, certain subsidiaries of the Company, as guarantors of the Financial Guarantee Contracts, have recognised interest of HK$56.7 million (six months ended 30 June 2018: HK$70.8 million) in respect of the bank borrowings of Dajincang. Such amount was recorded in "other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

17. COMMITMENTS

(a) Capital commitments

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Contracted, but not provided for:		
Purchase/Construction of property, plant and equipment	**547,428**	549,657
	547,428	549,657

(b) Commitments under operating leases

The Group leases its office premises under operating leases, which typically run for a period of three years. At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	31 December 2018 (Audited) *HK$'000*
Within one year	3,840
In the second to fifth years inclusive	6,079
	9,919

The Group is the lessee in respect of a property, held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balance at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the condensed consolidated statement of financial position in accordance with the policies set out in note 2.3 and are no longer disclosed as commitments under operating leases.

18. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Related parties	Nature of transactions	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
The Nongtou Group	Purchase of corn kennels	**897,226**	216,720
The Nongtou Group	Interest on payables	**49,103**	39,000
The Nongtou Group	Interest on other borrowings	**4,056**	1,696
Nongtou	Interest on financial guarantees	**9,290**	—

(b) Balances with related parties

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Due from (to) an associate		**2,673**	(2,675)
Trade payables to the Nongtou Group	(a)	**(540,846)**	(444,302)
Other payables to the Nongtou Group	(a)	**(539,467)**	(463,879)
Other borrowings from the Nongtou Group	(b)	**(58,126)**	(58,126)

Notes:

(a) The trade and other payables to the Nongtou Group are unsecured, bear interest at 8.0% to 12.0% per annum after the credit periods lapsed.

(b) The other borrowings from the Nongtou Group are unsecured, interest bearing at 13.6% per annum and repayable on demand.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Short term employee benefits	**3,054**	5,632
Post-employment benefits	**146**	29
Termination benefits	**65**	540
Other long-term benefits	**—**	263
	3,265	6,464

19. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2019, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 1,279,799,672 Subscription Shares at the subscription price of HK$0.10 per Subscription Share, with an aggregate net proceeds of approximately HK$127,900,000.

The Subscription is subject to fulfilment of the certain conditions, on or before the 30^{th} day after the entering into of the Subscription Agreement, as stated in the Subscription Agreement, which including but not limited to, obtaining the approval from the listing committee of the Stock Exchange and relevant authority in the PRC in accordance with the relevant laws and regulations of the PRC involving stated-owned enterprises.

The Subscription Shares represent 20.0% of the existing issued share capital of the Company and approximately 16.7% of the total issued share capital of the Company as enlarged by the Subscription.

All conditions precedent to the Subscription have been fulfilled or waived and the Subscription Completion took place on 20 August 2019.