GLOBAL Bio-Chem Technology Group Company Limited

大成生化科技集團有限公司*

Stock Code: 00809

2020
Interim Report

* For identification purpose only

Contents

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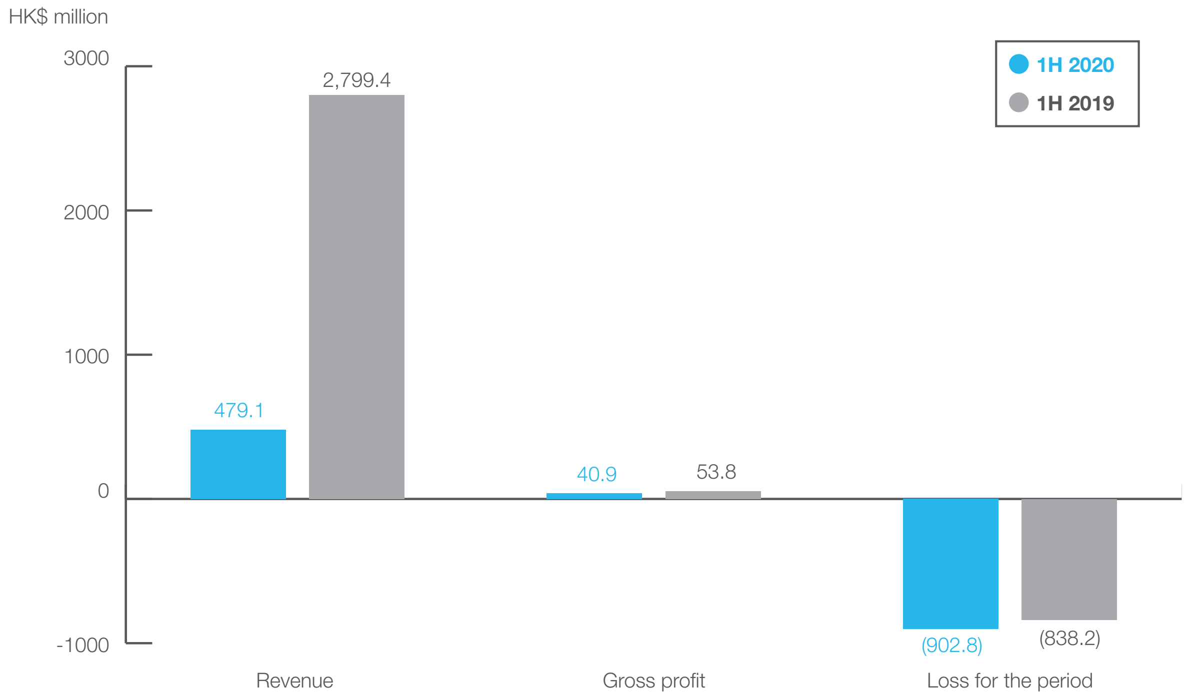
Financial Highlights

	Six months ended 30 June		
	2020 (Unaudited)	2019 (Unaudited)	Change %
Revenue (HK$'Mn)	**479.1**	2,799.4	(82.9)
Gross profit (HK$'Mn)	**40.9**	53.8	(24.0)
Loss before tax (HK$'Mn)	**(902.8)**	(838.2)	N/A
Loss for the period (HK$'Mn)	**(902.8)**	(838.2)	N/A
Basic loss per share (HK cents)	**(10.5)**	(12.5)	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 Directors
Mr. Gao Dongsheng *(Appointed on 30 June 2020)*
Ms. Liang Wanpeng *(Resigned on 30 June 2020)*

Independent non-executive Directors
Ms. Dong Hongxia *(Appointed on 30 June 2020)*
Mr. Ng Kwok Pong
Mr. Yeung Kit Lam
Mr. Zhao Jin *(Resigned on 30 June 2020)*

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,

During the first half of 2020, affected by the COVID-19 pandemic, the global economy remained stagnant. Certain areas even showed signs of recession. After the outbreak of COVID-19, the PRC government took a series of lockdown measures to prevent the pandemic from spreading extensively. As the quarantine measures gradually relaxed in the second quarter, various industries began to resume their operation and production. However, as the pandemic situation was still severe in other parts of the world and some industrial supply chains in China have yet to fully resume normal operation, certain production processes as well as product demand have been affected in varying degrees.

During the period under review, due to poor market sentiment and cash flow pressure, the Group continued to suspend the operation of most of its production facilities. Starting from the second quarter of this year, the Group has also suspended the production operation of its upstream facilities in Jinzhou, which had previously been operating at low capacity utilisation. The management of the Group adopted a prudent approach, minimising the scale of its business operations to reduce cash outflow. Meanwhile, the Group also actively pushed ahead with the debt restructuring plan and the resumption of the land and properties in the Group's production site in Luyuan District so as to improve the financial position of the Group.

BUSINESS REVIEW

During the Period, the COVID-19 pandemic had brought various economic activities to a halt and caused disruption to domestic and international transportation, leading to tight supply of corn kernels. This together with the delayed corn reserves auctions had led to a periodic shortage of corn kernels. Domestic corn prices rose sharply during the Period, leading to the increase in the Group's corn purchasing cost. Although the high corn prices had boosted the price of the upstream products, the increase in selling price was insufficient to offset the increase in the price of raw materials. Weak consumption and intensified market competition also added pressure on sales. During the Period, under the continued impact of COVID-19 pandemic and the outbreak of the African Swine Fever, the demand for livestock feed dropped significantly, further posing pressure on the sales volume and selling price of the amino acids market. Struck by rising cost and falling prices, resuming the production of downstream amino acid products would not be profitable. Owing to the above reasons, the Group continued to suspend the operation of its amino acids production facilities during the period under review to minimise cash outflow.

In the past few years, heavy debt burden has been the biggest challenge faced by the Group. High finance costs have exerted huge pressure on the Group's overall financial position and operating efficiency. The management of the Group has been focusing on materialising the debt restructuring plan, facilitating the resumption of the land and properties in Luyuan District, as well as striving to ensure sufficient liquidity through suspending operation and optimising capacity utilisation. During the period under review, the Group repaid certain loans and tried to maintain sufficient cash on hand. Although the Group is still far from achieving a significant improvement in the overall financial position, the operating cash outflow situation has been under control, which reflects the effectiveness of the measures (such as suspension of operation) taken by the Group.

Last year, the Group has entered into two subscription agreements with an investor for the subscription of shares of the Company. Completion of the second subscription took place in April this year and the Group raised net proceeds of approximately HK$132,000,000, which helped relieve part of the financial pressure of the Group and fuel the Group's operation and development.

Since the relevant properties owned by the Group in Luyuan District have been listed among the projects for redevelopment under the PRC's Slum Redevelopment Policy, it will help speed up the process of land resumption and allow exemption of certain taxes on the proceeds from the land resumption. During the period under review, the local government issued a notice to resume the properties owned by Dihao Foodstuff, a subsidiary of GSH. It is expected that Dihao Foodstuff would surrender the properties within this year and the Group will receive compensation from the government for the resumption, which could ease the financial pressure of the Group and provide financial resources for the resumption of production. The properties under the first phase of resumption owned by Dihao Foodstuff account for about 14% of the relevant properties owned by the Group and subject to resumption in Luyuan District. It is expected that the resumption of the remaining part of the properties will be conducted by the government in stages according to the relevant government policy.

The negotiation between the Group and lending banks on debt restructuring also made considerable progress during the period under review. In mid-February 2020, the Group had been notified by BOC Jilin Branch that the Group's outstanding debts and guaranteed liability of approximately RMB4.0 billion had been transferred to Jilin Branch of China Cinda Asset Management Co., Ltd. The transfer agreement signified an important step in the debt restructuring plan. After the completion of the aforesaid transfer of loans, the management of the Group has been exploring the next step of the debt restructuring plan. It is expected that the outstanding debts owed to other major lending banks could be resolved under similar arrangement.

OUTLOOK

With the pandemic gradually under control in China, the domestic economy is also progressively recovering along with improvement in the outbreak situation. The GDP of China for the second quarter rose moderately by 3.2% year-on-year, marking a turnaround from the year-on-year decline in the first quarter. Nevertheless, the COVID-19 pandemic is still haunting the global economy, with the world's major economies posting declines in different degrees. At the same time, economies and people around the world are under the threat of a second wave of coronavirus. On the other hand, the tensions between China and the US coupled with the increasingly complex international situations will all pose significant uncertainties in international trade and business environment.

Shrouded in the shadow of uncertainties in the world economy and international relations, the Group's business will continue to face severe challenges in the second half of 2020. Entering the third quarter, which is typically the corn harvest period where corn price is relatively stable, the Group will prudently assess the proper corn inventory level required for replenishment in accordance with its financial situation. On the other hand, the Group has also entered into corn purchasing agreement with its major shareholder, the Nongtou Group, in preparation for the resumption of production operation. The Group will closely monitor changes in the market environment and review its financial resources, in order to pursue gradual resumption of operation of its production facilities.

In order to effectively improve profitability, the Group will continue to develop high value-added products and explore applications of products through its research and development team to create new growth drivers for its business development.

Message to Shareholders

During the Period, the debt restructuring plan of the Group made satisfactory progress under the auspices of the local government. The Group's management team has been actively exploring the next step for the debt restructuring plan, while continuing to work on facilitating the transfer of the other outstanding debts.

Upon the completion of the surrender of properties by Dihao Foodstuff, it is expected the Group will receive a total compensation of approximately RMB443.0 million. The proceeds will help relieve the financial and cash flow pressure of the Group during the period of operation suspension and provide part of the funding for the capital expenditure for the relocation of the Group's production facilities in Changchun. To improve the cash flow of the Group, the Group's management is actively working with the relevant departments of the local government to facilitate the resumption of the relevant properties in Luyuan District so as to consolidate its financial position.

With the expectation of the commencement of full operation of the Xinglongshan site upon the completion of the relocation, the Group can leverage the production capacity and technology competitive edges of the production base to adapt to market changes through flexible adjustment of its product mix, and to achieve economies of scale.

Despite the various challenges facing the Group's business, it is expected that the Group's financial position will continue to improve with the gradual implementation of the debt restructuring plan and the smooth progress in the resumption of land in Luyuan District, laying the foundation for resuming the normal operations of the Group. I would like to extend my heartfelt gratitude to all of our shareholders, creditors and business partners for their continued support. In return, the management of the Group will continue to diligently perform its duties, and strive to achieve the aforementioned objectives to enhance the value of the Group.

Chairman
Yuan Weisen

27 August 2020

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 2020 (the "**Period**"), the outbreak of COVID-19 continued to put pressure on the global economic environment. Suspension of business operations, broken supply chain and stringent lockdown measures have led to changes in consumption pattern of the population, stagnant demand and significant economic slowdown. As a result, the GDP of the People's Republic of China (the "**PRC**" or "**China**") shrank by 6.8% for the first quarter of 2020, which was the first decline since 1992. The lockdown in the PRC in the first quarter of 2020 significantly lowered the demand for feed products, especially after the consumption peak during the Chinese New Year. In addition, the outbreak of the African Swine Fever (the "**ASF**") in the PRC continued to pose impact on the husbandry and feed industries during the Period. As a result, the performance of the Group's upstream corn-refinery and amino acids segments were under pressure. As for the sweeteners market, despite the fact that the PRC cane sugar price has increased year-on-year, competition in the PRC sweeteners market intensified as demand shrank. In light of the challenging operating environment, the Group has suspended its production operations in Harbin, Dehui, Xinglongshan and Jinzhou to reduce operating cash outflow and secure sufficient financial resources until the market conditions improve. For details of the abovementioned suspensions, please refer to the Company's announcements dated 24 September 2019, 16 December 2019, 10 February 2020 and 29 May 2020 (collectively, the "**Suspension of Operation Announcements**").

With respect to corn supply, global corn production for the year 2020/21 is estimated at 1,163.2 million metric tonnes ("**MT**") (2019/20: 1,112.4 million MT), according to the estimates from the United States Department of Agriculture in July 2020. However, depressed fuel prices together with the economic slowdown as a result of the outbreak of COVID-19 have weakened corn consumption from ethanol and feed sectors. International corn price dropped from 608 US cents per bushel (equivalent to RMB1,670 per MT) at the end of 2019, to 548 US cents per bushel (equivalent to RMB1,528 per MT) (end of June 2019: 503 US cents per bushel (equivalent to RMB1,361 per MT)) by the end of June 2020. In the PRC, corn harvest in 2019/20 is estimated to produce approximately 266.5 million MT (2018/19: approximately 260.8 million MT) of corn, with consumption volume estimated at 285.5 million MT for 2020. In addition, the lockdown has caused delay in transportation of corn kernels and also delay in corn auctions in the PRC during the Period. The shortage of corn had driven up the domestic corn price. As a result, corn price in the PRC surged to RMB2,158 per MT (end of June 2019: RMB1,800 per MT) by the end of June 2020. Economic slowdown and shrunken demand have made it not commercially viable to continue with the production operation for the upstream corn refinery. To mitigate the situation, apart from the suspension of the Group's upstream operations in Harbin, Dehui and Xinglongshan, the Group has also suspended the production operation of 錦州元成生化科技有限公司 (Jinzhou Yuancheng Bio-chem Technology Co., Ltd.*) ("**Jinzhou Yuancheng**") starting from the second quarter of 2020. Consequently, the revenue for the Group's upstream corn-refinery business dropped significantly during the Period. Although the economy in the PRC has shown signs of slow recovery in the second quarter with GDP growth rate at 3.2%, the operating environment going forward will still be challenging as the COVID-19 pandemic is expected to pose unknowns to the global economy in 2020 and the effects of the ASF continue to linger. The Group will continue to monitor market conditions and be cautious in making decisions on the Group's business strategies so as to optimise the operation of the Group's production facilities to maintain relatively healthy cash flow while balancing its market presence.

With respect to the lysine market, the outbreak of the ASF across the PRC continued to pose impact on the swine husbandry industry during the Period. According to the estimates from the industry, China's pork production is expected to fall to 36 million MT in 2020, representing a 33% drop as compared to the production volume in 2018. As a result, the demands for lysine products have shrunk significantly. Domestic lysine price ranged from RMB6,500 to RMB7,500 per MT during the Period. The increased corn cost has also posed pressure on the profit margin of the Group's amino acid products. In light of the challenging market sentiment, the management has suspended the amino acids production operation since August 2019. As a result, the Group's lysine segment recorded a significant decrease in revenue for the Period. Although herd recovery has been in progress by the end of the second quarter with pace faster than expected, overall pork production in China is expected to fall significantly year-on-year. While the effect of the ASF will continue to pose uncertainties to the pork market, the COVID-19 pandemic will add further complications to the outlook as food service channels reduced significantly and closures of plants during or even after the lockdown. It is expected that China will import more meat products in 2020 to make good the shortfall from reduced production. On the other hand, the increasing tension between China and the United States (the "**US**") will affect pork trade between the two countries. The outlook on the lysine market will still be challenging in the second half of 2020. The Group will continue to utilise its research and development capabilities to improve operational efficiency to lower cost and at the same time, develop other amino acid products to cope with market changes.

As for the sugar market, global production volume for 2020/21 is expected to reach 188.1 million MT as increased output is expected from Brazil, India and Thailand. Although industry estimates show demand growth for sugar in 2020, the effect of the COVID-19 pandemic has an impact on the international sugar price. As a result, international sugar price dropped to 11.84 US cents per pound (equivalent to RMB1,853 per MT) by the end of June 2020 (end of June 2019: 12.32 US cents per pound, equivalent to RMB1,871 per MT). In the PRC, domestic sugar production remained at similar level at 10.7 million MT in 2020/21 harvest (2019/20: 10.8 million MT), while consumption stayed at around 15.8 million MT (2019: 15.8 million MT). As a result, domestic sugar price increased to RMB5,573 per MT (end of June 2019: RMB5,390 per MT) by the end of June 2020. To protect local sugar producers and to narrow the huge gap between international sugar price and domestic sugar price, apart from imposing high tariff for sugar imports, the PRC government has been actively cracking down on sugar smuggling since last year. Such measures have been effective in upholding the sugar price in China. However, as a number of users in Huadong area has opted for vertical integration and expanded upstream to secure their feedstocks, the market of sweeteners has shrunk and competition has further intensified. The economic slowdown also had an impact on the demand for sweetener products. The effect was especially prominent in the low profit margin region in Northeast China. As such, the Group has suspended the operation of the downstream sweeteners production facilities in Jinzhou and Xinglongshan until market sentiment recovers. Meanwhile, the Group will continue its effort in improving operational efficiency to lower cost and developing new products that better suit market needs.

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

The operating environment in the second half of 2020 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. The tension between China and the US will further add on the uncertainties in the economy and the pace of recovery. On top of this, the economic slowdown will further add pressure on the already lackluster market. In the short run, the Group will continue to monitor closely the development of the ASF and COVID-19 outbreaks, the market conditions as well as the financial conditions of the Group and will ensure the production operation of the Group's subsidiaries to resume as soon as possible to the extent practicable. In the long run, the Group will continue to strengthen its market position by utilising its brand name, be customer-oriented to understand better their ever-changing demand and product requirement, further improve cost effectiveness and product mix through continuous research and development efforts, and at the same time, optimise utilisation rate to achieve operational efficiency in response to market moves. Internally, leveraging on the synergies as a result of the introduction and participation of the resourceful shareholder with state-owned enterprise background, 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 2019 was subject to the disclaimer of opinion by the external auditor (the "**Auditor**") of the Company as detailed in the annual report of the Company for the year ended 31 December 2019 (the "**2019 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 2019 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 (the "**Audit Committee**") of the Company after its critical review of the management's position for the Period:

1. Financial guarantee contracts

As detailed in the 2019 Annual Report, the financial guarantee contracts (the "**Financial Guarantee Contracts**") were not recognised in the Group's consolidated financial statements for the year ended 31 December 2019 because the Company was unable to obtain reliable financial information of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**") for professional valuer to conduct an accurate valuation. During the Period, the situation continued. Nevertheless, the board (the "**Board**") of directors (the "**Directors**") of the Company has been actively exploring different options to resolve the Financial Guarantee Contracts.

As disclosed in the joint announcement (the "**February Joint Announcement**") of the Company and Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**") dated 25 February 2020, the fixed-term loans under the loan agreements (the "**Dajincang Loans**") entered into between Dajincang and 中國銀行股份有限公司偉峰國際支行 (Bank of China Weifeng International Branch*) ("**Weifeng BOC**") has fallen due and become immediately payable. As a condition to such loan agreements, certain subsidiaries of the Group and the GSH Group (collectively, the "**Guarantor Subsidiaries**") have provided guarantees to Weifeng BOC to secure the obligations of Dajincang under such loan agreements. Dajincang has defaulted in the repayment of the Dajincang Loans and the aggregate outstanding principal amount under such loan agreements is RMB2.49 billion with outstanding interest. As a result, the Guarantor Subsidiaries may be demanded to take up the full liability of RMB2.49 billion together with the outstanding interest at any time so requested by Weifeng BOC.

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**") (an entity controlled by Jilin SASAC and an indirect major shareholder of the Company), and the management of the Group continued to negotiate the details of debt restructuring plan during the Period. In mid-February 2020, the Company has been notified by 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) ("**BOC Jilin Branch**") that it had entered into a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) (the "**New Creditor**") pursuant to which BOC Jilin Branch had agreed to sell to the New Creditor, and the New Creditor had agreed to purchase, all of its rights and benefits of the loans (the "**Transferred Loans**") with aggregate outstanding principal amount of RMB4,016.5 million which included the loans of the Group (including the GSH Group) in the amount of RMB1,526.5 million and the Dajincang Loans in the amount of RMB2.49 billion, together with outstanding interest at a consideration of approximately RMB815.7 million. After the completion of the transfer of the Transferred Loans, the management of the Group continues to explore the next step of the debt restructuring plan with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group. The Company will endeavour to facilitate the materialisation of the debt restructuring plan. The Directors expect that the Group (including the GSH Group) would be able to resolve all the amounts due and owing under the Transferred Loans and the Dajincang Loans together with the related audit modification by the end of the year ending 31 December 2020. The amount drawn down by Dajincang as at 30 June 2020 and up to the date of this report amounted to RMB2.49 billion (31 December 2019: RMB2.49 billion). For further details, please refer to point (a) in note 2.2 to the condensed consolidated financial statement on p.35.

The Group recognised finance costs amounted to approximately HK$75.1 million (six months ended 30 June 2019: HK$56.7 million) pursuant to the Financial Guarantee Contracts for the Period, which was included in other expenses.

2. Material uncertainty relating to going concern

As detailed in the 2019 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 2019 Annual Report, the management of the Company has taken and will take steps as outlined in note 2.2 to the condensed consolidated financial statement on p.35 to improve the financial position of the Group.

Dependent on the successful and favourable outcomes of the steps being taken as described in note 2.2 to the condensed consolidated financial statement on p.35, the Board, including the Audit Committee, is of the view that the Group would have sufficient working capital for operation need for at least 12 months from 30 June 2020.

FINANCIAL PERFORMANCE

During the Period, due to the outbreak of COVID-19 and the economic slowdown associated with the outbreak, most of the Group's production facilities have been suspended. The suspension of operations has led to a significant drop in sales volume. The consolidated revenue of the Group for the Period decreased significantly by 82.9% to approximately HK$479.1 million (2019: HK$2,799.4 million). With respect to the cost of corn kernels, due to the stringent lockdown measures taken in most of the cities in China to prevent the spreading of COVID-19, suspension of business operations and closure of the major transportation hubs have led to broken supply chain. State auctions for corn have been delayed. The limited supply of corn kernels has driven up the Group's purchase price of corn kernels by 12.6% during the Period. However, as the Group has been consuming mainly its inventory produced in the last quarter of 2019 when corn price was relatively low as compared to the Period, the gross profit margin of the Group's upstream segment improved. Meanwhile, as most of the amino acid inventory has been consumed in the previous year, only an insignificant amount of amino acid products have been sold during the Period, with gross loss margin of 2.2% (2019: 3.9%). Although stagnant demand and intensified competition of the sweeteners market have put the price of corn sweeteners under pressure, the Group took further step to suspend the facilities with the low utilisation and consolidate its resources in production base with higher efficiency. The profit margin of the Group's downstream segment improved slightly during the Period. Notwithstanding the measures taken by the Group to improve its profitability, the significant drop in sales volume due to the suspensions have dragged down the Group's gross profit by 24.0% to approximately HK$40.9 million (2019: HK$53.8 million). However, as the portion of expenses in relation to suspension of operation amounting to approximately HK$246.0 million has been allocated to other expenses, the average cost of sales of the Group dropped by approximately 14.3% during the Period. As a result, the gross profit margin of the Group improved by 6.6 percentage points to 8.5% (2019: 1.9%).

Due to the high debt level of the Group, the finance costs continued to weigh on the Group's performance. The Group recorded a net loss of approximately HK$902.8 million (2019: HK$838.2 million) and LBITDA (i.e. loss before interest, taxation, depreciation and amortisation) of approximately HK$317.6 million (2019: HK$268.1 million) during the Period. To improve the financial performance and financial position of the Group, the management will continue to focus 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 land resumption and to optimise operational efficiency in the Xinglongshan site; (2) actively negotiating with banks and creditors on the debt restructuring plan and other alternatives to lower the debt level of the Group; (3) streamlining the production plants and consolidating resources into the relatively high yield segments; and (4) introducing potential investors to further strengthen the working capital and financial position of the Group.

Upstream products

(Sales amount: HK$239.6 million (2019: HK$1,441.9 million))
(Gross profit: HK$15.3 million (2019: HK$28.8 million))

During the Period, suspension of most of the Group's upstream operations has led to a significant drop in sales volume. As a result, the revenue of the Group's upstream business dropped by approximately 83.4% to approximately HK$239.6 million (2019: HK$1,441.9 million). Despite the increase of the purchase price of corn kernels of the Group by 12.6% during the Period, as most of the upstream operations of the Group has been suspended, the Group only purchased an insignificant amount of corn kernels during the Period and has been consuming mainly its inventory primarily produced in the last quarter of 2019 when corn price was relatively low as compared to that of the Period. In addition, the portion of expenses in relation to the suspension of operation has been allocated to other expenses. As such, the Group's average cost of sales of upstream products increased only slightly by 0.7%. On the other hand, due to stagnant demands from the downstream markets, the average selling prices of corn starch dropped by 3.3% during the Period. As for other corn refined products, due to the increased tension between China and the US and the delay in transportation of the US soybean as a result of the lockdown, the demand for feed-related corn refined products such as corn gluten and fibre improved. The average selling price of other corn refined products increased by 12.9% during the Period. As a result, the corn starch segment and other corn refined products segment recorded gross profits of approximately HK$15.2 million (2019: HK$126.8 million) and HK$0.1 million (2019: gross loss: HK$98.0 million) respectively, with gross profit margin of approximately 8.4% (2019: 13.4%) and 0.2% (2019: gross loss margin: 19.9%) respectively.

The sales volume of corn starch and other corn refined products was approximately 74,000 MT (2019: 372,000 MT) and 29,000 MT (2019: 282,000 MT), respectively. Internal consumption of corn starch was approximately 8,000 MT (2019: 48,000 MT), which was mainly used as raw material for the Group's downstream production.

Amino acids

(Sales amount: HK$9.3 million (2019: HK$888.0 million))
(Gross loss: HK$0.2 million (2019: HK$34.7 million))

The amino acids segment consists of lysine, protein lysine and threonine products. During the Period, the amino acids segment recorded insignificant sales volume as most of the inventory has been exhausted prior to the Period. As a result, the revenue of amino acids segment dropped drastically to approximately HK$9.3 million (2019: HK$888.0 million) as sales volume dropped to 2,000 MT (2019: 162,000 MT). During the Period, the impact of the ASF and the outbreak of COVID-19 placed a great pressure on the selling price of amino acids. To mitigate the situation, the Group continued the suspension of its amino acids operation to minimise cash outflow. As a result, the amino acids segment recorded a gross loss of approximately HK$0.2 million (2019: HK$34.7 million), with a gross loss margin of 2.2% (2019: 3.9%) during the Period. Since it is expected that the effects of the ASF and the COVID-19 pandemic will linger for a while, the outlook on feed related industry will still be challenging going forward. The Group will continue to closely monitor the development of the ASF and COVID-19 outbreaks, the market conditions as well as the financial conditions of the Group to resume the production operation as soon as possible to the extent practicable. While the China-US 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 to increase the Group's flexibility and ability to respond to market changes.

Corn sweeteners

(Sales amount: HK$228.9 million (2019: HK$465.6 million))
(Gross profit: HK$25.5 million (2019: HK$57.9 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 50.7% to approximately 74,000 MT (2019: 150,000 MT) due to suspensions in the Xinglongshan and the Jinzhou site, as well as the keen competition in the market. As a result, revenue declined by 50.8% to approximately HK$228.9 million (2019: HK$465.6 million). As competition was keen in the sweeteners market since last year, especially in the low profit margin region such as Northeast China, the Group has suspended most of the sweeteners production facilities in Northeast China and consolidated its resources in Shanghai production base. In addition, the portion of expenses in relation to suspension of operation has been allocated to other expenses during the Period. As a result, despite the significant drop in sales volume, the corn sweeteners segment still recorded gross profit of approximately HK$25.5 million (2019: HK$57.9 million) during the Period, with gross profit margin decreased by 1.3 percentage points to approximately 11.1% (2019: 12.4%).

Polyol chemicals

(Sales amount: HK$1.3 million (2019: HK$3.9 million))
(Gross profit: HK$0.3 million (2019: HK$1.8 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, the revenue of polyol chemicals segment declined by 66.7% to approximately HK$1.3 million (2019: HK$3.9 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$0.3 million (2019: HK$1.8 million) with a gross profit margin of 23.1% (2019: 46.2%).

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 6.3% (2019: 16.6%) of the Group's total revenue. The export sales of upstream products, amino acids and corn sweeteners decreased by 76.9%, 98.4% and 90.2% to approximately HK$22.1 million (2019: HK$95.5 million), HK$5.4 million (2019: HK$338.9 million) and HK$3.0 million (2019: HK$30.5 million) respectively. Such decreases were mainly attributable to the suspension of most of the Group's production facilities. No export sales of polyol chemicals was recorded during the Period and for the six months ended 30 June 2019.

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

Other income and gains

During the Period, other income and gains decreased by 60.7% to approximately HK$31.7 million (2019: HK$80.7 million). Such difference was mainly due to the recognition of gain on deemed disposal of a subsidiary amounted to HK$35.8 million and one-off reversal of write-down of inventories amounted to HK$8.3 million for the six months ended 30 June 2019. Such items were not applicable during the Period.

Selling and distribution costs

During the Period, selling and distribution costs decreased by 78.2% to approximately HK$54.0 million (2019: HK$247.7 million), accounting for 11.3% (2019: 8.8%) of the Group's revenue. Such decrease was mainly attributable to the decline in sales volume of the Group.

Administrative expenses

During the Period, administrative expenses decreased by 15.2% to approximately HK$180.3 million (2019: HK$212.5 million), representing 37.6% (2019: 7.6%) of the Group's revenue. Such decrease was mainly attributable to (1) the decrease in salaries and other staff benefits by HK$13.5 million to approximately HK$56.1 million (2019: HK$69.6 million) as the number of headcounts had been reduced and (2) the decrease in legal and professional fees by HK$6.4 million to approximately HK$8.0 million (2019: HK$14.4 million).

Other expenses

During the Period, other expenses increased by 79.9% to HK$379.6 million (2019: HK$211.0 million). It was mainly attributable to the expenses arising from the suspension of operations. As such, the total expenses in relation to idle capacity of certain production facilities of the Group increased by HK$139.2 million to approximately HK$246.0 million (2019: HK$106.8 million).

Finance costs

During the Period, the interest on payables to suppliers increased to HK$99.6 million (2019: HK$64.2 million). The interest on bank and other borrowings increased to HK$217.9 million (2019: HK$194.0 million) as certain bank borrowings have been charged at higher interest rate during the Period. As a result, the finance costs of the Group increased by 19.6% to approximately HK$360.3 million (2019: HK$301.2 million).

Income tax expenses

As all the subsidiaries of the Group recorded tax losses during the Period, there were no income tax expenses during the Period (2019: Nil).

Loss shared by non-controlling shareholders

During the Period, GSH recorded a loss of approximately HK$151.2 million (2019: HK$106.1 million), leading to loss shared by the non-controlling shareholders amounted to approximately HK$54.4 million (2019: HK$37.7 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2020 decreased by approximately HK$135.9 million to approximately HK$7,491.9 million (31 December 2019: HK$7,627.8 million) as a result of net repayment of certain bank and other borrowings of approximately HK$52.2 million and exchange rate adjustment of approximately HK$83.7 million during the Period. On the other hand, the cash and bank balances and pledged bank deposits as at 30 June 2020 increased by approximately HK$10.7 million to approximately HK$100.1 million (31 December 2019: HK$89.4 million). As a result, the net borrowings decreased to approximately HK$7,391.8 million (31 December 2019: HK$7,538.4 million).

Structure of interest-bearing bank and other borrowings

As at 30 June 2020, the Group's interest-bearing bank and other borrowings amounted to approximately HK$7,491.9 million (31 December 2019: HK$7,627.8 million), all (2019: all) of the interest-bearing bank and other borrowings were denominated in Renminbi.

As at 30 June 2020, all of the interest-bearing bank and other borrowings were repayable within one year or on demand (31 December 2019: 73.2% repayable within one year and 26.8% repayable in the second to the fifth years). As at 30 June 2020, interest-bearing bank and other borrowings amounted to approximately RMB319.2 million (31 December 2019: RMB334.0 million) have been charged at fixed interest rates ranging from 7.0% to 13.6% per annum (31 December 2019: 7.0% to 13.6% per annum) for terms from one year to three years. Other than that, the rest of the Group's interest-bearing bank and other borrowings were 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.

As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with HK Bloom Investment Limited ("**HK Bloom**" or the "**Subscriber**"), respectively, 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 "**First Subscription Shares**") at the subscription price of HK$0.10 per First Subscription Share (the "**First Subscription**") and an aggregate of 1,228,607,685 new shares (the "**Second Subscription Shares**") at the subscription price of HK$0.1080 per Second Subscription Share (the "**Second Subscription**"). As a result of the completion of the two subscriptions of shares as mentioned above, the conversion price of the outstanding Convertible Bonds has been adjusted, in accordance with the terms and conditions of the Convertible Bonds to HK$0.21 per share and the maximum number of shares issuable by the Company upon full conversion of the Convertible Bonds is 5,172,759,833 shares. The adjustment has taken effect from 29 April 2020.

Save for the above adjustments, all other terms and conditions of the Convertible Bonds remain unchanged.

At 30 June 2020, the Convertible Bonds were divided into liability component and equity component which amounted to HK$1,067.0 million and HK$290.6 million (31 December 2019: HK$1,034.2 million and HK$290.6 million) respectively and effective imputed interest of HK$32.7 million (2019: HK$30.8 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 increased to approximately 38 days (31 December 2019: 21 days), and the inventory turnover days increased to approximately 61 days (31 December 2019: 31 days) due to the rapid decline in revenue and cost of sales as a result of the suspension of most of the Group's production facilities during the Period. Meanwhile, the trade payables turnover days extended to approximately 593 days (31 December 2019: 156 days) during the Period, as the Group has negotiated with its suppliers to extend the credit terms during the Period.

As at 30 June 2020, the current ratio and the quick ratio of the Group remained at 0.1 (31 December 2019: 0.1) and 0.1 (31 December 2019: 0.1), respectively. The Group recorded a net loss of approximately HK$902.8 million (30 June 2019: HK$838.2 million) during the Period, leading to the recorded net liabilities value of approximately HK$5,070.9 million (31 December 2019: HK$4,346.0 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 309.5% (31 December 2019: 232.4%). To improve the financial position of the Group, the Company has adopted several strategic measures as mentioned in note 2.2 to the condensed consolidated financial statement on p.35.

MAJOR INVESTMENTS

The Group had no material investments as at 30 June 2020. Other than the relocation plan disclosed under section headed "Relocation of production facilities to the Xinglongshan site" of this report, the Group has no other future plans for material investments or capital assets as at the date of this report.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Company during the Period.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any significant contingent liabilities.

CHARGE ON ASSETS

As at 30 June 2020, the Group's interest-bearing bank and other borrowings amounted to HK$5,249,504,000 (31 December 2019: HK$5,314,556,000) were secured by pledge of certain property, plant and equipment and right-of-use assets of the Group amounted to HK$2,160,107,000 (31 December 2019: HK$2,301,172,000) and HK$117,193,000 (31 December 2019: HK$105,888,000), respectively, and a receivable from disposal of assets amounted to HK$417,582,000 (31 December 2019: HK$444,444,000).

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 6.3% (2019: 16.6%) 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 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; internally, the Group will endeavour to materialise the debts restructuring plan to improve the financial position of the Group and introduce strategic investors to form business alliance for sustainable development.

The operating environment in the second half of 2020 is expected to be challenging as the COVID-19 pandemic will continue to affect the global economy. The tension between China and the US will further add on the uncertainties in the economy and the pace of recovery. On top of this, the economic slowdown will further add pressure on the already lackluster market. In the short run, the Group will continue to monitor closely the development of the ASF and COVID-19 outbreaks, the market conditions as well as the financial conditions of the Group and will ensure the production operation of the Group's subsidiaries to resume as soon as possible to the extent practicable. The Group will also take 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, the proceeds from the compensation of land resumption and through collaboration with industry players. 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 by utilising its brand name, be customer-oriented to understand better their ever-changing demand and product requirement, further improve cost effectiveness and product mix through continuous research and development efforts. 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 2020, the Group had approximately 4,000 (31 December 2019: 4,300) 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 the 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the Period (six months ended 30 June 2019: Nil).

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

As at 30 June 2020, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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 2020, the interests or short positions of the persons (other than the Directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	**Capacity/ nature of interest**	Remarks	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital** (c)
HK Bloom	Beneficial owner	(a)	2,508,407,357	28.16
Modern Agricultural	Beneficial owner	(b)	8,308,269,029	93.27

Remarks:

a. HK Bloom is beneficially owned as to 50.0% and 50.0% by Mr. Li Zhenhao ("**Mr. Li**") and Ms. Sun Zhen ("**Ms. Sun**"), respectively. Under the SFO, each of Mr. Li and Ms. Sun is deemed to be interested in all the shares interested by HK Bloom.

b. (i) 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 Jilin Province Modern Agricultural Industry Investment Fund (LLP) ("**PRC LLP**"). The sole general partner of PRC LLP is Jilin Province Modern Agricultural Industry Fund Limited ("**GP**"). As at the date of this report, 60% of the investment capital of PRC LLP is owned 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 Jilin SASAC. Each of Modern Agricultural, Modern Agricultural Holdings, PRC LLP, GP, Nongtou and Jilin SASAC are deemed to be interested in the interest held by the Company.

(ii) Amongst 8,308,269,029 shares of the Company held by Modern Agricultural, 5,172,759,833 shares represented shares which may be issued to it upon full conversion of the Convertible Bonds. As such, as at 30 June 2020, Modern Agricultural was the beneficial owner of 3,135,509,196 shares of the Company, representing approximately 35.2% of the issued share capital of the Company. Upon full conversion of the Convertible Bonds, Modern Agricultural will become the holder of 8,308,269,029 shares of the Company, representing approximately 59.0% of the issued share capital of the Company as enlarged by the allotment and issue of conversion shares under the Convertible Bonds. As approved by the shareholders at the extraordinary general meeting of the Company held on 8 October 2015, Modern Agricultural has obtained a waiver under Note 1 on dispensations from Rule 26 of The Codes on Takeovers and Mergers and Share Buy-backs (the "**Takeovers Code**"), therefore, no offer under Rule 26 of the Takeovers Code would arise upon full conversion of the Convertible Bonds by Modern Agricultural.

c. On the basis of 8,907,405,717 shares in issue as at 30 June 2020.

As at 30 June 2020, none of the Directors or chief executives of the Company 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, SALE 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 THE CORPORATE GOVERNANCE CODE AND THE MODEL CODE

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

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

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

AUDIT COMMITTEE

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

The Audit Committee meets regularly with the Company's senior management, internal audit team and the 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 remuneration committee (the "**Remuneration Committee**") of the Company comprises an executive Director, Mr. Yuan Weisen and two independent non-executive Directors, namely, Mr. Ng Kwok Pong (the chairman of the Remuneration Committee) and Ms. Dong Hongxia. 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 Directors and approves the terms of Directors' service contracts. The Board has adopted remuneration policy of the Directors on the basis of their merit, qualification and competence with reference to the market benchmarks.

NOMINATION COMMITTEE

The nomination committee (the "**Nomination Committee**") of the Company comprises an executive Director, Mr. Yuan Weisen (the chairman of the Nomination Committee), and two independent non-executive Directors, namely Mr. Ng Kwok Pong and Ms. Dong Hongxia. 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. The Nomination Committee also reviews the structure, size and composition of the Board and makes 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 (the "**Corporate Governance Committee**") of the Company comprises an executive Director, Mr. Zhang Zihua and two independent non-executive Directors, namely Mr. Ng Kwok Pong (the chairman of the Corporate Governance Committee) and Ms. Dong Hongxia. The duties of the Corporate Governance Committee are, among others, to determine, develop and 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.

EXECUTIVE COMMITTEE

The executive committee (the "**Executive Committee**") of the Company comprises three executive Directors, namely Mr. Liu Shuhang, Mr. Yuan Weisen and Mr. Zhang Zihua. Mr. Liu Shuhang has been appointed as the chariman of the Executive Committee with effect from 22 July 2020. 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 Executive 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;

(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 of the Company 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.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Updates on the suspension of operation of certain subsidiaries of the Group and the impact of COVID-19

Reference is made to the Suspension of Operation Announcements. Due to poor market sentiment, the outbreak of COVID-19 in the PRC and the significant increase in the domestic corn prices, the overall demand for corn refined products have been negatively affected as downstream consumption shrank. The Board, having considered the pros and cons of continuing the upstream operation of the Group based on the then available financial information of the Group and assessed the then current market conditions, concluded that it was more favourable for the Group to suspend all upstream operation. In addition, the poor market sentiment and the ASF had continued impacts on amino acid segment. As a result, the production operations of amino acids of the Group have been suspended since August 2019 to minimise cash outflow.

As at the date of this report, the suspensions of operation as disclosed in the Suspension of Operation Announcements remained. The management expects that the COVID-19 pandemic will continue to put pressure on the Group's business and affect the operations of the Group. The continued suspension of operation or low facility utilisation may have an impact on the performance and financial positions of the Group in various aspects, which may include the possibility of the impairment for financial assets and non-financial assets. The management of the Group will continue to assess the impact of the COVID-19 pandemic on financial positions of the Group and closely monitor the market conditions, the financial conditions of the Group and in particular, the development of the recent COVID-19 outbreak, and will ensure that the production operation of such subsidiaries will resume as soon as possible to the extent practicable.

Relocation of production facilities to the Xinglongshan site

Reference is made to the 2019 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, the proceeds from the compensation of the land resumption and through collaboration with industry players. The management of the Company is of the view that the existing technology knowhow 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 bodies for approval. As such, the expected time for relocation of production facilities is revised as follows:

Products 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 2021
Modified starch — food grade (phase 1)	the Xinglongshan site	20,000	June 2019 – December 2020
Modified starch (phase 2)	the Xinglongshan site	60,000	Pending the availability of capital and favourable market condition
Corn oil	the Xinglongshan site	63,000	June 2019 – December 2020
Lysine	the Xinglongshan site/ Dehui City of Changchun	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 is 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 and the Company will provide update to its shareholders and potential investors by way of announcement as and when appropriate.

DISCLOSURE PURSUANT TO RULES 13.19 AND 13.21 OF THE LISTING RULES

Breach of loan agreements

(1) 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 (Jinzhou Port Branch of Bank of China*) (the "**Lender**") in respect of a 12-month fixed term loan due in December 2018 (the "**Loan**"), Jinzhou Dacheng was required to satisfy certain financial covenants. Failure to comply with such financial covenants entitles the Lender to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan immediately due and payable. The Loan has been guaranteed by GSH and certain members of the GSH Group have also provided guarantees and securities to secure the Loan.

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 cross default provisions in other loan agreements entered into by the GSH Group.

As at the date of this report, certain financial covenants under the Loan Agreement have yet to be fulfilled and Jinzhou Dacheng has yet to receive a waiver from the Lender in respect of the breach under the Loan Agreement with the outstanding principal amount of approximately RMB19.8 million.

(2) As disclosed in the February Joint Announcement, the Group has defaulted in the repayment of the certain loans and the aggregate outstanding principal amount under such loans (excluding loans of the GSH Group) is approximately RMB3.7 billion (the "**GBT Default Loans**") together with outstanding interest as at the date of this report. The maximum liability guaranteed by the Group is approximately RMB3.9 billion, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under the loan agreements. Certain subsidiaries of the Group have also provided securities to secure the GBT Default Loans. Meanwhile, the GSH Group has defaulted in the repayment of the certain loans and the aggregate outstanding principal amount under such loans is RMB198.6 million (the "**GSH Default Loans**"), together with outstanding interest as at the date of this report. The maximum liability guaranteed by the Company is RMB199.0 million, being the principal amount, together with all interests, liabilities, fees and penalty that may accrue under such loan agreements.

Furthermore, Dajincang has defaulted in the repayment of loans with aggregate outstanding principal amount of RMB2.49 billion together with outstanding interest as at the date of this report. The Guarantor Subsidiaries have provided guarantees to secure the obligations of Dajincang under the relevant loan agreements. As such, the default in repayment of such loans by the Group and the GSH Group may also trigger cross default of other loan agreements entered into by the Group and the GSH Group.

In mid-February 2020, the Company and GSH have been notified by BOC Jilin Branch that it has entered into a transfer agreement with the New Creditor, pursuant to which BOC Jilin Branch has agreed to sell to the New Creditor, and the New Creditor has agreed to purchase, all of its rights and benefits of the Transferred Loans which included the loans of the Group and the GSH Group above which amounted to approximately RMB1.3 billion and RMB198.6 million respectively, together with outstanding interest and the Dajincang Loans at a consideration of approximately RMB815.7 million. After the completion of the transfer of the Transferred Loans, the management of the Group and the GSH Group continues to explore the next step of the debt restructuring plan with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group and the GSH Group. However, up to the date of this report, the Group, GSH Group and Dajincang have yet to receive any demand nor waiver for the GBT Default Loans, the GSH Default Loans and the Dajincang Loans. The outstanding principal amounts of such loans as mentioned were approximately RMB3.7 billion, RMB198.6 million and RMB2.49 billion for the GBT Group, the GSH Group and Dajincang, respectively, as at the date of this report.

(3) Reference is made to the joint announcement of the Company and GSH dated 4 May 2020. Under the various loan agreements (collectively, the "**Yuancheng Loan Agreements**") entered into between Jinzhou Yuancheng, and each of 中國建設銀行股份有限公司錦州分行(Jinzhou Branch of China Construction Bank*) and 中國銀行股份有限公司錦州港支行(Jinzhou Branch of Bank of China*) (collectively, the "**Yuancheng Lenders**") for the aggregate principal amount of RMB219.9 million (collectively, the "**Yuancheng Loans**"), Jinzhou Yuancheng was required to satisfy certain financial covenants, failure to perform or comply with any of those financial covenants would entitle the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loans immediately due and payable. As at the date of this report, certain financial covenants under the Yuancheng Loan Agreements have yet to be fulfilled. Such breach entitles the Yuancheng Lenders to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Yuancheng Loan Agreements immediately due and payable. In addition, such breach may also trigger cross default provisions in other loan agreements entered into by the GSH Group. As at the date of this report, Jinzhou Yuancheng has yet to receive any demand nor waiver from the Yuancheng Lenders, and the outstanding principal amount under the Yuancheng Loan Agreements is RMB219.9 million.

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 the Guarantor Subsidiaries in respect of the indebtedness of Dajincang due to Weifeng 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, Dajincang still did not have sufficient financial resources to repay the Dajincang Loans with aggregate outstanding principal amount of RMB2.49 billion, together with outstanding interest that was guaranteed by the Guarantor Subsidiaries to Weifeng BOC. The maximum guaranteed amount was RMB2.5 billion.

As mentioned in the above section "Disclosure Pursuant To Rules 13.19 and 13.21 of the Listing Rules" under the headline "Breach of loan agreements", the Group has been notified by BOC Jilin Branch in mid-February 2020 that it has entered into a transfer agreement with the New Creditor in relation to the Transferred Loans which included the Dajincang Loans guaranteed by the Guarantor Subsidiaries. The Group and the GSH Group are currently exploring the next step of the debt restructuring plan. Dajincang has yet to receive any demand nor waiver from the New Creditor and the maximum principal amount guaranteed by the Guarantor Subsidiaries remained at RMB2.5 billion as at the date of this report.

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 Financial Guarantee Contracts in its interim and annual reports during the relevant periods when the Financial Guarantee Contracts is in effect.

IMPORTANT EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

There was no important event after the end of the Period up to the date of this report.

FUNDRAISING ACTIVITIES

Subscription of new shares under the specific mandate

As disclosed in the announcement of the Company dated 27 September 2019, the Group was in an imminent need of cash. On the other hand, the Subscriber had expressed its confidence in the future development of corn related industry and the Group, and its interest to further invest in the Group. On 27 September 2019, the Company entered into a subscription agreement (the "**Second 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 1,228,607,685 new ordinary shares at the subscription price of HK$0.1080 per Second Subscription Share. The gross proceeds from the Second Subscription amounted to approximately HK$132,690,000. The net proceeds from the Second Subscription, after the deduction of relevant expenses, amounted to approximately HK$132,000,000. The Second Subscription Shares represent 16.0% of the total issued share capital of the Company immediately before the completion of the Second Subscription (the "**Second Subscription Completion**") and approximately 13.8% of the total issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription Shares. All conditions precedent to the completion of the Second Subscription Agreement have been fulfilled or waived and the Second Subscription Completion took place on 29 April 2020.

The following table sets out the detailed breakdown and description of the use of the net proceeds from the Second Subscription:

Intended use of proceeds	**Latest timeline of use**	**Amount of the intended use of net proceeds** *(HK$) (approx.)*	**Actual use of net proceeds during the Period** *(HK$) (approx.)*	**Remaining net proceeds as at 30 June 2020** *(HK$) (approx.)*
Repayment of trade and other payables of the Group's PRC subsidiaries	April 2020 – September 2020	56,000,000	56,000,000	—
Procurement of corn and other operational expenses	April 2020 – September 2020	76,000,000	61,932,000	14,068,000
		132,000,000	117,932,000	14,068,000

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (Unaudited) HK$'000	2019 (Unaudited) HK$'000
REVENUE	4	**479,135**	2,799,444
Cost of sales		**(438,231)**	(2,745,683)
Gross profit		**40,904**	53,761
Other income and gains	4	**31,749**	80,737
Selling and distribution costs		**(54,049)**	(247,701)
Administrative expenses		**(180,253)**	(212,517)
Other expenses		**(379,593)**	(210,967)
Share of loss of a joint venture		**(1,270)**	(394)
Finance costs	5	**(360,331)**	(301,160)
LOSS BEFORE TAX	6	**(902,843)**	(838,241)
Income tax expenses	7	**–**	–
LOSS FOR THE PERIOD		**(902,843)**	(838,241)
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		**45,286**	29,146
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(857,557)**	(809,095)
LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(848,412)**	(800,581)
Non-controlling interests		**(54,431)**	(37,660)
		(902,843)	(838,241)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		**(805,111)**	(774,405)
Non-controlling interests		**(52,446)**	(34,690)
		(857,557)	(809,095)
LOSS PER SHARE	8		
Basic		**HK(10.5) cents**	HK(12.5) cents
Diluted		**HK(10.5) cents**	HK(12.5) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	10	**5,891,048**	6,151,537
Right-of-use assets		**545,383**	563,682
Deposits paid for acquisition of property, plant and equipment		**41,487**	58,502
Intangible assets		**3,125**	3,751
Interests in an associate		**—**	—
Interests in a joint venture		**3,066**	4,336
Equity investment at fair value through other comprehensive income ("**Designated FVOCI**")		**208**	208
		6,484,317	6,782,016
CURRENT ASSETS			
Inventories		**146,447**	369,496
Trade and bills receivables	11	**99,345**	267,870
Prepayments, deposits and other receivables	12	**668,027**	721,852
Due from a joint venture		**5,649**	4,270
Pledged bank deposits		**13,331**	9,916
Cash and bank balances		**86,812**	79,509
		1,019,611	1,452,913
CURRENT LIABILITIES			
Trade and bills payables	13	**1,304,492**	1,551,476
Other payables and accruals	14	**2,403,183**	2,047,566
Due to an associate		**1,347**	1,593
Tax payables		**104,423**	107,967
Interest-bearing bank and other borrowings		**7,491,867**	5,583,337
Lease liabilities		**3,743**	3,700
Convertible bonds		**1,066,974**	1,034,246
		12,376,029	10,329,885
NET CURRENT LIABILITIES		**(11,356,418)**	(8,876,972)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(4,872,101)**	(2,094,956)

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Notes	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**–**	2,044,444
Lease liabilities		**313**	2,188
Deferred income		**115,071**	120,294
Deferred tax liabilities		**83,373**	84,109
		198,757	2,251,035
NET LIABILITIES		**(5,070,858)**	(4,345,991)
CAPITAL AND RESERVES			
Share capital	15	**890,741**	767,880
Reserves		**(5,761,027)**	(4,965,745)
Deficit attributable to owners of the Company		**(4,870,286)**	(4,197,865)
Non-controlling interests		**(200,572)**	(148,126)
TOTAL DEFICIT		**(5,070,858)**	(4,345,991)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Properties 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 1 January 2020	767,880	2,839,469	898,575	290,585	15,677	114,034	2,127,173	(11,251,258)	(4,197,865)	(148,126)	(4,345,991)
Loss for the period	–	–	–	–	–	–	–	(848,412)	(848,412)	(54,431)	(902,843)
Other comprehensive income for the period	–	–	–	–	–	–	43,301	–	43,301	1,985	45,286
Total comprehensive income (loss) for the period	–	–	–	–	–	–	43,301	(848,412)	(805,111)	(52,446)	(857,557)
Transactions with owners:											
Contributions and distributions											
Issue of share capital	122,861	9,829	–	–	–	–	–	–	132,690	–	132,690
Total transactions with owners	122,861	9,829	–	–	–	–	–	–	132,690	–	132,690
At 30 June 2020 (unaudited)	890,741	2,849,298	898,575	290,585	15,677	114,034	2,170,474	(12,099,670)	(4,870,286)	(200,572)	(5,070,858)

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Properties 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 1 January 2019 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	–	–	–	–	–	–	–	(35)	(35)	–	(35)
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)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(902,843)**	(838,241)
Adjustments for:		
Finance costs	**360,331**	301,160
Bank interest income	**(250)**	(881)
Depreciation		
— Property, plant and equipment	**212,537**	255,773
— Right-of-use assets	**12,372**	13,230
Amortisation of intangible assets	**—**	3
Amortisation of deferred income	**(3,418)**	(6,753)
Loss on disposal of property, plant and equipment, net	**—**	17
Gain on disposal of right-of-use assets	**—**	(2,210)
Impairment of deposits paid for acquisition of property, plant and equipment	**16,205**	33
Reversal of write-down of inventories, net	**(2,086)**	(8,696)
Impairment (Reversal of impairment) of trade and bills receivables, net	**20,966**	(6,257)
Impairment of prepayments, deposits and other receivables, net	**12,447**	19,499
Share of loss of a joint venture	**1,270**	394
Waiver of payables	**(810)**	—
Gain on deemed disposal of a subsidiary	**—**	(35,758)
Changes in working capital:		
Inventories	**220,953**	119,007
Trade and bills receivables	**144,565**	132,382
Prepayments, deposits and other receivables	**33,391**	196,063
Trade and bills payables	**(229,924)**	(218,576)
Other payables and accruals	**106,809**	265,111
Due to an associate	**(229)**	(5,348)
Due from a joint venture	**(1,426)**	14
Cash generated from operations	**860**	179,966
Interest received	**250**	881
Income taxes paid	**(341)**	(102)
Net cash generated from operating activities	**769**	180,745

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(9,735)**	(30,725)
Proceeds from disposal of property, plant and equipment	**–**	4,057
Net cash outflow on deemed disposal of a subsidiary	**–**	(6,131)
Net cash used in investing activities	**(9,735)**	(32,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of shares	**132,690**	–
Proceeds from new interest-bearing bank and other borrowings	**65,494**	2,979,030
Repayment of interest-bearing bank and other borrowings	**(117,670)**	(3,114,056)
Repayment of lease liabilities	**(1,920)**	(1,895)
Interest paid	**(56,072)**	(176,567)
Pledged bank deposits	**(3,524)**	111,228
Net cash generated from (used in) financing activities	**18,998**	(202,260)
Net increase (decrease) in cash and cash equivalents	**10,032**	(54,314)
Cash and cash equivalents at beginning of period	**79,509**	135,033
Effect of foreign exchange rate changes, net	**(2,729)**	15,463
Cash and cash equivalents at end of period	**86,812**	96,182

1. CORPORATE INFORMATION

The 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 2020 (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 2020.

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 and corn based biochemical products. There was no significant change 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 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 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 2019.

2.2 Going concern

The Group recorded a loss of approximately HK$903 million (six months ended 30 June 2019: approximately HK$838 million) for the Period and as at 30 June 2020, had net current liabilities of approximately HK$11,356 million (31 December 2019: approximately HK$8,877 million) and net liabilities of approximately HK$5,071 million (31 December 2019: approximately HK$4,346 million). In addition, any potential liabilities or obligations arising from the financial guarantee contracts (the "**Financial Guarantee Contracts**") as discussed in note 16 provided by certain subsidiaries of the Group and Global Sweeteners Holdings Limited ("**GSH**", together with its subsidiaries, the "**GSH Group**") (collectively, the "**Guarantor Subsidiaries**"), for the benefit of 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement Co., Ltd.*) ("**Dajincang**"), 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 (the "**Audit Committee**") of the Company 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 lower the debt ratio of the Group

As disclosed in the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"), the Company has been actively negotiating with the banks in the People's Republic of China (the "**PRC**" or "**China**") for their continuous support to the Group.

At 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**") (an entity controlled by Jilin SASAC and an indirect major shareholder of the Company) and the management of the Group held in Changchun on 1 February 2019, the parties acknowledged the direction of the debt restructuring plan and reinstated their intention to push through the execution of such plan. 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 the 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 lower the debt ratio of the Group *(Continued)*

Subsequent to the meeting on 1 February 2019, the parties continued with the negotiation about the debt restructuring plan. In mid-February 2020, the Company was notified by 中國銀行股份有限公司吉林省分行 (Jilin Branch of Bank of China*) ("**BOC Jilin Branch**") that it had entered into a transfer agreement with 中國信達資產管理股份有限公司吉林省分公司 (Jilin Branch of China Cinda Asset Management Co., Ltd.*) (the "**New Creditor**") pursuant to which BOC Jilin Branch had agreed to sell to the New Creditor, and the New Creditor had agreed to purchase, all of its rights and benefits of the loans with aggregate outstanding principal amount of approximately RMB4,017 million (the "**Transferred Loans**") which included the loans of the Group (including the GSH Group) in the amount of approximately RMB1,527 million, together with the outstanding interest and the indebtedness of Dajincang that was guaranteed by the Guarantor Subsidiaries at a consideration of approximately RMB816 million. After the completion of the transfer of the Transferred Loans, the management of the Group continues to explore the next step of the debt restructuring plan with the aims to achieve debt restructuring and the significant improvement of the financial position of the Group. The Board believes that once the Transferred Loans have been resolved, the other major outstanding debts could be resolved under similar debt restructuring plans.

The debt restructuring plan is also well-supported by the government. On 5 March 2020, an official document titled《關於商請各金融機構支持大成集團改革脱困化解債務風險的函》(Letter of Request to Financial Institutions to Support the Reform of the GBT Group to Resolve Risks Associated With Debts) was issued by Jilin SASAC to all the relevant banks and financial institutions, in which it reiterated the debt restructuring plan and the stable operation of the Group have always been the priorities of both the provincial and municipal governments; and urged the other principal lending banks in Changchun to follow the debt restructuring plan of BOC Jilin Branch.

During the Period, the management of the Group has been working on facilitating similar arrangement of the Transferred Loans for the outstanding debts and the indebtedness owed to other major lending banks. It is currently expected that the transfer of the indebtedness owed by the Group to other major lending banks will be completed in 2020, pending the internal approval from the respective lending banks.

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

2.2 Going concern *(Continued)*

(a) *Active negotiations with banks to obtain adequate bank borrowings and lower the debt ratio of the Group* *(Continued)*

The Company will endeavour to facilitate the materialisation of the debt restructuring plan. The Board expects that the Group would be able to resolve all the amounts due and owing under the Transferred Loans and the indebtedness of Dajincang in 2020.

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

Reference is made to the joint announcement of the Company and GSH dated 2 March 2017 and the 2019 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**"). Pursuant to a letter of intent from the Potential Purchaser, it is expected that the Potential Purchaser shall purchase the Relevant Properties at 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.

As disclosed in the 2019 Annual Report, 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(The 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 resumption of the Relevant Properties through shortened procedures and exemption of certain taxes. In addition, the Changchun Safeguard Housing Project Leading Group also confirmed the site location and area of the Relevant Properties at a meeting on 27 September 2018. An execution announcement for the redevelopment under the PRC's Slum Redevelopment Policy dated 30 October 2019 has also been issued by 綠園區土地徵收辦事處 (The Land Acquisition Office of Luyuan District*). The Group had received a land resumption prepayment in the amount of approximately RMB377 million from the Potential Purchaser which was subsequently recognised as compensation for the resumption of the Relevant Properties pursuant to an agreement entered into between the Group, and the Potential Purchaser and 長春市綠園區人民政府 (The People's Government of Luyuan District of Changchun City*) (the "**Local Government**") in the last quarter of 2019 confirmed that the Potential Purchaser and the Local Government were satisfied with the progress of the relocation.

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

2.2 Going concern *(Continued)*

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

On 10 June 2020, a meeting was held in Changchun amongst the representatives of 長春市土地儲備中心 (The Changchun Land Reserve Centre*), the Local Government, 綠園區審計局 (The Audit Bureau of Luyuan District*), the Land Acquisition Office of Luyuan District, the Potential Purchaser and the Group. At the meeting, it was agreed that the Changchun Land Reserve Centre and the Local Government should speed up the settlement of the remaining balance of the outstanding receivable of RMB400 million to the Group. As at the date of this report, the Group has received RMB200 million from the Local Government and the remaining amount is expected to be received by the end of 2020.

On the other hand, as announced by the Company and GSH on 24 August 2020, the Local Government has announced its decision to resume the Relevant Properties. The first phase of resumption (the "**Dihao Resumption**") involved the properties owned by 長春帝豪食品發展有限公司 (Changchun Dihao Foodstuff Development Co., Ltd.*) ("**Dihao Foodstuff**"), an indirect wholly-owned subsidiary of GSH, with an aggregate area of land of approximately 149,249 square metres and total gross floor area of approximately 67,000 square metres (the "**Dihao Properties**"). In accordance with the notices from the Local Government, Dihao Foodstuff is required to surrender the Dihao Properties by the third quarter of 2020. The Group is expected to receive a total compensation of approximately RMB443 million as a result of the Dihao Resumption. The compensation amount was based on the valuation report as of mid-August 2020 by an independent valuer selected and engaged in accordance with 吉林省國有土地上房屋徵收與補償辦法 (Measures on the Expropriation of Properties on State-owned Land and Compensation of Jilin Province*) and 長春市國有土地上房屋徵收與補償暫行辦法 (Interim Measures on the Expropriation of Properties on State-owned Land and Compensation of Changchun City*).

It is expected that resumption of remaining part of the Relevant Properties by the government will be conducted in stages according to the relevant government policy. The Group has yet to enter into the formal agreements in relation to the Dihao Resumption with the Local Government as at the date of this report. The Board expects that the proceeds from the Dihao Resumption will help relieve the financial and cashflow pressure of the Group during period of suspension and provide part of the funding for the capital expenditure for the relocation of the Group's 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 and consolidated its resources in higher efficiency segments to minimise operating cash outflow.

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

2.2 Going concern *(Continued)*

(d) Financial support from the indirect major shareholder

The Group has received a written confirmation dated 30 June 2019 from Nongtou 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 has secured the supply of corn kernels through the execution of corn purchasing contract with the Nongtou Group during the Period to ensure a sufficient supply of corn kernels when the Group's operation resumes.

Nongtou, being a state-owned enterprise, was established in August 2016 and its unaudited net assets value at 30 June 2020 amounted to approximately RMB1,951 million (31 December 2019: approximately RMB2,102 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, to 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.

(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. As announced by the Company on 19 July 2019 and 27 September 2019, the Company entered into two subscription agreements with HK Bloom Investment Limited ("**HK Bloom**" or the "**Subscriber**"), a company established under the British Virgin Islands laws with limited liability, respectively, 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 "**First Subscription Shares**") at the subscription price of HK$0.10 per First Subscription Share (the "**First Subscription**") and an aggregate of 1,228,607,685 new shares (the "**Second Subscription Shares**") at the subscription price of HK$0.1080 per Second Subscription Share (the "**Second Subscription**"). As a result of completion of the subscription on 20 August 2019 (the "**First Subscription Completion**") and 29 April 2020 (the "**Second Subscription Completion**"), the net proceeds from the First Subscription and the Second Subscription in the amounts of approximately HK$127,900,000 and HK$132,000,000 have been utilised as general working capital of the Group.

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

2.2 Going concern *(Continued)*

The validity of the going concern assumption on which the 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 would have sufficient working capital for operation need for at least 12 months from 30 June 2020. Therefore, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

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.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted in preparing the 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 2019, except for the adoption of the following new/revised Hong Kong Financial Reporting Standards ("**HKFRSs**") which are relevant to the Group and are effective from the Period.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform
Amendments to HKFRS 3	Definition of a Business

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.

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 2019: 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

3. OPERATING SEGMENT INFORMATION *(Continued)*

(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 relation 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.

(a) Segment results

Six months ended 30 June 2020 (unaudited)

	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	239,648	9,312	228,895	1,280	–	479,135
Intersegment	9,775	7,270	–	238	(17,283)	–
Revenue	249,423	16,582	228,895	1,518	(17,283)	479,135
Segment results	(279,736)	(180,248)	(42,370)	(10,981)		(513,335)
Bank interest income						250
Unallocated income						12,882
Unallocated expenses						(41,039)
Share of loss of a joint venture						(1,270)
Finance costs						(360,331)
Loss before tax						(902,843)
Income tax expenses						–
Loss for the period						(902,843)

3. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results *(Continued)*

Six months ended 30 June 2019 (unaudited)

	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)	–
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						(28,876)
Share of loss of a joint venture						(394)
Finance costs						(301,160)
Loss before tax						(838,241)
Income tax expenses						–
Loss for the period						(838,241)

(b) Geographical information

Revenue information based on location of customers

	Six months ended 30 June	
	2020 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*
The PRC	**448,657**	2,334,563
Asia, the Americas and other regions	**30,478**	464,881
	479,135	2,799,444

4. REVENUE, OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers within HKFRS 15		
Sale of goods (a)	**479,135**	2,799,444
Other income and gains		
Amortisation of deferred income	**3,418**	6,753
Bank interest income	**250**	881
Gains arising from the sale of packing materials and by-products, net	**563**	662
Government grants (b)	**3,432**	4,994
Foreign exchange gain, net	**—**	1,982
Wavier of payables	**810**	—
Reversal of write-down of inventories, net	**—**	8,330
Reversal of impairment of trade and bills receivables, net	**—**	6,257
Gain on disposal of right-of-use assets	**—**	2,210
Gain on deemed disposal of a subsidiary	**—**	35,758
Subcontracting income	**16,476**	2,018
Others	**6,800**	10,892
	31,749	80,737

Remarks:

(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 with no further obligations and conditions to be complied with.

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**217,880**	193,971
Finance costs for discounted bills receivables	**503**	2,810
Interest on financial guarantees given by Nongtou	**9,527**	9,290
Interest on payables to suppliers	**99,605**	64,208
Imputed interest on convertible bonds	**32,728**	30,751
Interest on lease liabilities	**88**	130
	360,331	301,160

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Employee benefit expenses (excluding Directors' remuneration)		
— Wages and salaries	**122,273**	165,582
— Pension scheme contributions	**29,386**	34,966
	151,659	200,548
Cost of inventories sold (a)	**435,058**	2,734,606
Depreciation		
— Property, plant and equipment	**212,537**	255,773
— Right-of-use assets	**12,372**	13,230
Amortisation of intangible assets	**—**	3
Amortisation of deferred income	**(3,418)**	(6,753)
Loss on disposal of property, plant and equipment, net	**—**	17
Gain on disposal of right-of-use assets	**—**	(2,210)
Gain on deemed disposal of a subsidiary	**—**	(35,758)
Impairment of deposits paid for acquisition of property, plant and equipment	**16,205**	33
Reversal of write-down of inventories, net (b)	**(2,086)**	(8,696)
Impairment (Reversal of impairment) of trade and bills receivables, net	**20,966**	(6,257)
Impairment of prepayments, deposits and other receivables, net	**12,447**	19,499

Remarks:

(a) Cost of inventories sold includes employee benefit expenses, depreciation and reversal of write-down of inventories, which are also included in the respective amounts disclosed separately above for each of these types of income and expenses.

(b) Reversal of write-down of inventories were included in other income and cost of sales in the amounts of Nil and HK$2,086,000 (six months ended 30 June 2019: HK$8,330,000 and HK$366,000) respectively.

7. INCOME TAX EXPENSES

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 2019.

No provision for the PRC enterprise income tax was made as all the subsidiaries of the Group in the PRC incurred tax losses during the Period and the six months ended 30 June 2019.

8. 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$848,412,000 (six months ended 30 June 2019: HK$800,581,000) and the weighted average number of ordinary shares in issue during the Period of 8,104,085,308 (six months ended 30 June 2019: 6,398,998,360) 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 Period and the six months ended 30 June 2019.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the Period (six months ended 30 June 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
At 1 January 2020/1 January 2019	**6,151,537**	6,496,030
Additions	**9,883**	56,457
Disposals	**—**	(6,052)
Deemed disposal of a subsidiary	**—**	(14,201)
Gain on properties revaluation, net	**—**	211,932
Depreciation	**(212,537)**	(479,343)
Exchange realignment	**(57,835)**	(113,286)
At 30 June 2020/31 December 2019	**5,891,048**	6,151,537

11. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Trade receivables	**493,918**	648,479
Bills receivables	**3,846**	2,907
	497,764	651,386
Loss allowance	**(398,419)**	(383,516)
	99,345	267,870

The Group normally allows credit terms of 30 to 90 days (31 December 2019: 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.

An 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 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Within 1 month	**52,769**	176,294
1 to 2 months	**23,094**	46,925
2 to 3 months	**6,196**	9,760
3 to 6 months	**4,165**	14,214
Over 6 months	**13,121**	20,677
	99,345	267,870

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Prepayments	42,809	57,762
Deposits and other debtors	95,870	93,198
The PRC value-added tax ("**VAT**") and other tax receivables	91,855	106,316
Receivables from disposal of assets (a)	437,493	464,576
	668,027	721,852

Remark:

(a) Included in the receivables from disposal of assets was the remaining consideration receivable 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 approximately HK$417,582,000 (31 December 2019: HK$444,444,000) at 30 June 2020. The Group has received approximately HK$219,780,000 as at the date of this report.

13. TRADE AND BILLS PAYABLES

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Trade payables		
— To third parties (a)	954,903	1,174,565
— To the Nongtou Group (b)	341,781	372,467
	1,296,684	1,547,032
Bills payables	7,808	4,444
	1,304,492	1,551,476

Remarks:

(a) At 31 December 2019, the trade payables to third parties included balances payable to a state-owned supplier of approximately HK$67 million, which were unsecured and interest-bearing at 8% to 9% per annum after the credit periods lapsed. During the Period, Nongtou acquired 100% equity interest of the state-owned supplier and the corresponding balance payable was disclosed in trade payables to the Nongtou Group at 30 June 2020.

(b) The trade payables to the Nongtou Group are unsecured and interest-bearing at 7.2% to 12% per annum (31 December 2019: 7.2% to 12% per annum) after the credit periods lapsed.

13. TRADE AND BILLS PAYABLES *(Continued)*

The Group normally obtains credit terms ranging from 30 to 90 days (31 December 2019: 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 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Within 1 month	**121,638**	319,900
1 to 2 months	**10,183**	113,490
2 to 3 months	**20,877**	32,609
Over 3 months	**1,151,794**	1,085,477
	1,304,492	1,551,476

14. OTHER PAYABLES AND ACCRUALS

	Note	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Accruals for employee benefits		**324,660**	274,352
Payables for purchases of machinery		**118,916**	123,518
Receipts in advance		**132,303**	187,005
Payables to the Nongtou Group	18(b)	**672,373**	559,850
VAT and other duties payables		**157,310**	133,098
Accruals and other creditors		**997,621**	769,743
		2,403,183	2,047,566

15. SHARE CAPITAL

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Authorised:		
20,000,000,000 (31 December 2019: 20,000,000,000) ordinary shares of HK$0.10 each	**2,000,000**	2,000,000

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
Issued and fully paid:	*No. of shares*	*HK$'000*	*No. of shares*	*HK$'000*
At 1 January	**7,678,798,032**	**767,880**	6,398,998,360	639,900
New shares issued	**1,228,607,685**	**122,861**	1,279,799,672	127,980
At 30 June/31 December	**8,907,405,717**	**890,741**	7,678,798,032	767,880

Subsequent to the Second Subscription Completion on 29 April 2020, the Company issued 1,228,607,685 new shares at the subscription price of HK$0.1080 per Second Subscription Share, at an aggregate consideration of approximately HK$132,690,000.

16. FINANCIAL GUARANTEE CONTRACTS

Several subsidiaries of the Company have jointly provided corporate guarantees to a financial institution in the PRC in respect of financing facilities granted to Dajincang starting from year 2010. The maximum amount of the financing facilities was RMB2.5 billion as at 30 June 2020 (31 December 2019: RMB2.5 billion). Since the management of 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 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 approximately HK$75 million (six months ended 30 June 2019: HK$57 million) in respect of the borrowings of Dajincang, which was recorded in “other expenses” in the condensed consolidated statement of profit or loss and other comprehensive income.

17. CAPITAL COMMITMENTS

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Contracted, but not provided for:		
Purchase/Construction of property, plant and equipment	**526,490**	537,703

18. RELATED PARTY TRANSACTIONS

In addition to the transactions or balances as detailed elsewhere in the condensed consolidated financial statements, the Group had the following major transactions/balances with related parties during the Period:

(a) Transactions with related parties

		Six months ended 30 June	
Related parties	Nature of transactions	2020 (Unaudited) HK$'000	2019 (Unaudited) HK$'000
The Nongtou Group	Purchase of corn kernels (b)	**19,840**	897,226
The Nongtou Group	Sale of corn starch and other products (c)	**(14,597)**	(3,324)
The Nongtou Group	Interest on payables	**94,042**	49,103
The Nongtou Group	Interest on other borrowings	**7,976**	4,056
Nongtou	Guarantee charge	**9,527**	9,290

(b) Balances with related parties

	30 June 2020 (Unaudited) HK$'000	31 December 2019 (Audited) HK$'000
Due from a joint venture (a)	**5,649**	4,270
Due to an associate (a)	**(1,347)**	(1,593)
Trade payables to the Nongtou Group (b)	**(341,781)**	(372,467)
Other payables to the Nongtou Group (d)	**(672,373)**	(559,850)
Other borrowings from the Nongtou Group (e)	**(61,703)**	(56,833)

18. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties *(Continued)*

Remarks:

(a) The balances are unsecured, non-interest bearing and have no fixed repayment terms.

(b) The Group sourced corn kernels from the Nongtou Group. These purchases were made in accordance with the new master supply agreement in relation to the supply of corn kernels by the Nongtou Group to members of the Group dated 12 September 2018. The trade payables to the Nongtou Group are unsecured, interest-bearing at 7.2% to 12% per annum (31 December 2019: 7.2% to 12% per annum) after the lapse of credit periods.

(c) The Group sold corn starch to the Nongtou Group. These sales were made in accordance with the master sales agreement in relation to supply of corn starch and other corn based products dated 12 September 2018.

(d) The payables represent advances from the subsidiaries of Nongtou amounted to approximately HK$664 million (31 December 2019: HK$553 million) which are unsecured, interest-bearing at 7.2% to 12% per annum (31 December 2019: 7.2% to 12% per annum) and repayable on demand, and guarantee charge (at 3.5% per annum (31 December 2019: 3.5% per annum)) payables to Nongtou amounted to approximately HK$8 million (31 December 2019: HK$7 million).

(e) The other borrowings from the Nongtou Group are unsecured, interest-bearing at 12% to 13.64% per annum (31 December 2019: 13.64% per annum) and repayable on demand.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**2,709**	3,054
Post-employment benefits	**343**	146
Termination benefits	**—**	65
	3,052	3,265