GLOBAL BIO-CHEM TECHNOLOGY GROUP COMPANY LIMITED
大成生化科技集團有限公司 *

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00809)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the "Board") of directors (the "Directors") of Global Bio-chem Technology Group Company Limited (the "Company") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2014 (the "Period"), together with the comparative figures in the corresponding period in the previous year.

This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company's external auditors and the Company's audit committee.

* *For identification purpose only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
CONTINUING OPERATIONS			
REVENUE			
Sales of goods	*4*	**3,642,847**	5,050,874
Cost of sales		**(4,133,169)**	(5,265,069)
Gross loss		**(490,322)**	(214,195)
Other income and gains	*4*	**334,387**	300,863
Selling and distribution costs		**(330,980)**	(360,462)
Administrative expenses		**(361,967)**	(263,624)
Other expenses		**(250,071)**	(616,411)
Finance costs	*5*	**(322,655)**	(350,049)
Share of losses of associates		**—**	(22,647)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(1,421,608)**	(1,526,525)
Income tax expense	*7*	**(9,159)**	(121,246)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		**(1,430,767)**	(1,647,771)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation		**—**	(2,377)
LOSS FOR THE PERIOD		**(1,430,767)**	(1,650,148)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of financial statements of operations outside Hong Kong		**(65,323)**	149,376
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(1,496,090)**	(1,500,772)

	Notes	Six months ended 30 June **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(1,341,914)**	(1,565,676)
Non-controlling interests		**(88,853)**	(84,472)
		(1,430,767)	(1,650,148)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the parent		**(1,400,317)**	(1,432,565)
Non-controlling interests		**(95,773)**	(68,207)
		(1,496,090)	(1,500,772)
LOSSES PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
— For loss for the period	*9*	**HK(41.13) cents**	HK(47.98) cents
— For loss from continuing operations		**HK(41.13) cents**	HK(47.94) cents
Diluted			
— For loss for the period	*9*	**HK(41.13) cents**	HK(47.98) cents
— For loss from continuing operations		**HK(41.13) cents**	HK(47.94) cents

Details of the dividends proposed for the Period are disclosed in note 8 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	**30 June 2014 (Unaudited)** ***HK$'000***	31 December 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**9,182,545**	9,527,647
Prepaid land lease payments		**791,650**	812,925
Deposits paid for acquisition of items of property, plant and equipment and prepaid land lease payments		**75,077**	8,904
Goodwill		**242,081**	344,553
Intangible assets		**5,162**	5,434
Deferred tax assets		**25,083**	25,153
Total non-current assets		**10,321,598**	10,724,616
CURRENT ASSETS			
Non-current assets held for sale		**—**	759,480
Inventories		**2,281,054**	3,341,568
Trade and bills receivables	*10*	**924,015**	1,419,257
Prepayments, deposits and other receivables		**1,710,398**	952,114
Due from associates		**24,798**	31,110
Equity investments at fair value through profit or loss		**35,231**	93,581
Derivative financial instruments		**—**	19,021
Pledged deposits		**15,146**	133,996
Cash and cash equivalents		**815,943**	1,309,997
Total current assets		**5,806,585**	8,060,124
CURRENT LIABILITIES			
Trade and bills payables	*11*	**2,228,366**	2,225,258
Other payables and accruals		**1,221,972**	1,063,113
Interest-bearing bank loans and other borrowings		**5,167,365**	4,954,609
Bonds		**—**	44,483
Tax payable		**162,707**	164,145
Total current liabilities		**8,780,410**	8,451,608
NET CURRENT LIABILITIES		**(2,973,825)**	(391,484)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,347,773**	10,333,132

	Notes	**30 June 2014 (Unaudited)** ***HK$'000***	31 December 2013 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**3,303,975**	4,798,173
Deferred tax liabilities		**230,843**	230,304
Deferred income		**214,137**	209,747
Total non-current liabilities		**3,748,955**	5,238,224
Net assets		**3,598,818**	5,094,908
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*12*	**326,349**	326,349
Reserves		**2,525,972**	3,926,289
		2,852,321	4,252,638
Non-controlling interests		**746,497**	842,270
Total equity		**3,598,818**	5,094,908

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 were authorized for issue in accordance with a resolution of the board of directors of the Company on 29 August 2014.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

The Group recorded a consolidated net loss of HK$1,431 million for the six months ended 30 June 2014 (six months ended 30 June 2013: HK$1,650 million) and as at that date, the Group recorded net current liabilities of HK$2,974 million (31 December 2013: HK$391 million). In view of these circumstances, the directors of the Company have taken the following steps to improve the Group's liquidity and solvency position.

(1) Active negotiations with banks to obtain adequate bank borrowings to finance the Group's operations

The management of the Company has been actively negotiating with the banks in the PRC to secure the renewals of the Group's short term bank loans and long term bank loans when due to meet its liabilities when fall due.

(2) Active negotiations with the local government to confirm the relocation compensation

As announced by the Company on 23 September 2011, the Group commenced a plan to relocate its production facilities located in Lu Yuan District, Changchun, the PRC ("Lu Yuan District") in response to the request of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly. The relocation has been commenced and will be achieved in stages. Land together with the buildings, machineries and fixtures erected on these pieces of land located in Lu Yuan District will be resumed by the relevant government body, being the Changchun Land Reserve Centre（長春市土地儲備中心）. Formal contracts have been signed by the parties on the first stage relocation whereby compensation in cash has been or will be settled as follows: (i) RMB202 million (equivalent to HK$256 million) upon the resumption of the parcels of land; and (ii) RMB806 million (equivalent to HK$1,020 million) upon the disposal of the related buildings and fixtures erected thereon. For the second stage relocation, the Directors have been actively negotiating with the Changchun Land Reserve Centre, to agree on the respective compensation. Up to the date of this announcement, mutual framework agreements have been reached by the parties whereby the parties have reached a preliminary understanding on the intention of the resumption of land. It was the parties' understanding that the compensation shall be determined based on the valuation to be performed by a valuer to be appointed by Changchun Land Reserve Centre after verification by the Changchun Land Reserve Centre and the Land Acquisition Reserve Transaction Fund Verification Centre（長春市土地儲備交易資金審核中心）. It is expected that formal land resumption compensation agreements will be entered into between the Group and Changchun Land Reserve Centre after the final terms and conditions shall have been agreed between the parties, and if required under the Listing Rules, to be subject to approval by shareholders of the Company. For the purpose of the interim report, the Group has engaged two independent valuers to perform valuation of the subject land, buildings, machineries and fixtures erected thereon respectively, which valuation amounted to RMB2.45 billion in aggregate as of 31 July 2014.

For the first stage relocation, the Group has received cash compensation of RMB478 million, and the management expects the remaining compensation of RMB530 million to be received from the government by end of year 2014. For the second stage relocation, the management expects that, subject to and conditional upon the entering into and completion of the formal agreements, the valuation of the subject land, buildings, machineries and fixtures erected thereon to be appraised by the valuer to be appointed by the Changchun Land Reserve Centre and the final determination of the amount of compensation, the compensation may be in the range of RMB2.45 billion (which is solely based on the valuation as of 31 July 2014 as appraised by the valuers appointed by the Group as mentioned above). The Directors, based on the experience of the first stage relocation and the current discussion status with the relevant party, anticipate the first instalment payment of about RMB500 million estimated by the Directors to be made by the government by June 2015 and full payment before the end of 2017. The Directors will use best endeavor to expedite the process with the aim to receiving the compensation or any part thereof as soon as possible.

(3) Improvement of the Group's operating cash flow

The Group is taking measures to tighten cost controls over various production costs and expenses with the aim to attain profitable and positive cash flow operations. During the six months ended 30 June 2014, the Group has scaled down certain of its amino acids production and suspended the production of polyol chemicals in order to minimize operating cash outflow.

Based on the management estimation of the future cash flows of the Group, after taking into account (i) the successful renewals of the Group's existing bank borrowings; (ii) the receipt of the compensation from the local government in relation to the resumption of land, buildings, machineries and fixtures erected thereon in Lu Yuan District; and (iii) the measures of the operating level aiming to minimize the Group's operating cash outflows, the Directors are of the opinion that the Group is able to generate sufficient funds to meet its financial obligations as and when they fall due in the foreseeable future.

The validity of the going concern assumption on which the interim condensed consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors as described above. The interim condensed consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

2.2 Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2013. The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

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

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

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 11 Amendments	Amendments to HKFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKAS 16 and HKAS 41 Amendments	Amendments to HKAS 16 and HKAS 41 *Bearer Plants*[2]
HKAS 16 and HKAS 38 Amendments	Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 No mandatory effective date yet determined but is available for adoption

Management is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Company considers that these new and revised HKFRSs are unlikely to have a significant impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. For the six months ended 30 June 2014, the following reportable operating segments are adopted by the Group to better allocate resources of the Group and assess performance of the different operating segments:

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

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

c) the corn sweeteners segment engages in the manufacture and sale of corn-based biochemical products, including glucose, maltose and dextrin.

All three segments also engage in the manufacture and sale of corn refined products.

The management monitors the operating results of the Group's business units separately for the purpose of making decisions in relation to allocation of the Group and assessment of performance of different operating segments. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs, government grants and corporate expenses are excluded from this measurement.

Segment assets exclude goodwill, other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

The Group's revenue is derived from customers based in the mainland of the People's Republic of China ("Mainland China") and in regions other than Mainland China. The geographical information is another basis on which the Group reports its segment information.

(a) Operating segment information

	Amino acids		Polyol chemicals		Corn Sweeteners		Eliminations		Consolidated	
	Six months ended 30 June									
	2014 (Unaudited) *HK$'000*	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited) *HK$'000***	2013 (Unaudited) *HK$'000* (Restated)
Revenue:										
External customer	**2,017,849**	3,109,628	**150,730**	181,216	**1,474,268**	1,760,030	**—**	—	**3,642,847**	5,050,874
Intersegment	**74,636**	—	**341,621**	443,600	**25,034**	335,291	**(441,291)**	(778,891)	**—**	—
Total revenue	**2,092,485**	3,109,628	**492,351**	624,816	**1,499,302**	2,095,321	**(441,291)**	(778,891)	**3,642,847**	5,050,874
Segment results	**(638,229)**	(210,260)	**(265,512)**	(1,077,894)	**(190,049)**	(59,780)	**—**	—	**(1,093,790)**	(1,347,934)
Bank interest income									**5,665**	2,055
Gain on exercise of a put option by non-controlled interests									**—**	187,500
Unallocated revenue									**(5,087)**	111,308
Unallocated expenses									**(5,741)**	(129,405)
Finance costs									**(322,655)**	(350,049)
Loss before tax									**(1,421,608)**	(1,526,525)
Income tax expense									**(9,159)**	(121,246)
Loss for the period from continuing operations									**(1,430,767)**	(1,647,771)
Loss from a discontinued operation									**—**	(2,377)
Loss for the period									**(1,430,767)**	(1,650,148)

	Amino acids		Polyol chemicals		Corn Sweetener		Total	
	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*	**30 June 2014 (Unaudited)** ***HK$'000***	31 December 2013 (Audited) *HK$'000*	**30 June 2014 (Unaudited)** ***HK$'000***	31 December 2013 (Audited) *HK$'000*	**30 June 2014 (Unaudited)** ***HK$'000***	31 December. 2013 (Audited) *HK$'000*
Segment assets	**12,164,344**	13,130,435	**3,993,816**	4,476,520	**3,462,212**	3,952,139	**19,620,372**	21,559,094
Reconciliation:								
Elimination of intersegment receivables							**(4,323,278)**	(4,244,055)
Cash and cash equivalents							**815,943**	1,309,997
Pledged deposits							**15,146**	133,996
Corporate and other unallocated assets							**—**	19,377
Assets related to a discontinued operation							**—**	6,331
Total assets							**16,128,183**	18,784,740
Segment liabilities	**2,708,798**	2,185,108	**4,591,555**	4,735,544	**1,072,209**	1,202,588	**8,372,562**	8,123,240
Reconciliation:								
Elimination of intersegment payables							**(4,323,278)**	(4,244,055)
Interest-bearing bank borrowings							**8,471,340**	9,752,782
Corporate and unallocated liabilities							**8,741**	56,676
Liabilities related to a discontinued operation							**—**	1,189
Total liabilities							**12,529,365**	13,689,832

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
	Six months ended 30 June					
	2014 (Unaudited) ***HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*	**2014 (Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000*
Revenue:						
External customers	**2,851,426**	3,813,629	**791,421**	1,237,245	**3,642,847**	5,050,874

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gain is as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**3,642,847**	5,050,874
Other income		
Bank interest income	**5,665**	2,055
Gain on resumption of buildings, machines and fixtures	**256,863**	—
Sales of scrap and raw materials	**33,363**	23,004
Government grants*	**13,408**	12,640
Others	**6,211**	3,459
	315,510	41,158
Gains		
Gain on exercise of a put option by non-controlled interests	—	187,500
Gain on disposal of prepaid land premium	—	54,792
Exchange gain	**9,944**	—
Fair value gains/(losses), net:		
— Derivative financial instruments	—	317
— Equity investments at fair value through profit or loss	**764**	738
— Bonds	—	2,331
— Long term receivables	**8,169**	14,027
	334,387	300,863

* Government grants represented the rewards for environmental protection, technology innovation and improvement to certain subsidiaries located in Mainland China.

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**313,355**	304,393
Finance costs for discounted bills receivable	**8,286**	13,397
Interest on bonds	**1,569**	1,418
Interest on a put option	**—**	32,991
Less: Interest capitalised	**(555)**	(2,150)
	322,655	350,049

6. LOSS BEFORE TAX

The Group's loss from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Raw materials and consumables used	**3,031,042**	4,206,242
Exchange loss on exercise of a put option	**—**	35,714
Legal and compensation expenses	**18,131**	2,830
Depreciation	**297,605**	402,941
Loss on disposal of items of property, plant and equipment	**4,260**	—
Amortisation of prepaid land premiums	**12,322**	11,756
Amortisation of intangible assets	**4**	1,505
Fair value losses/(gains), net:		
— Derivative financial instruments	**4,800**	(317)
— Equity investments at fair value through profit or loss	**(764)**	(738)
— Bonds	**327**	(2,331)
— Long term receivables	**(8,169)**	(14,027)
Provision/(written back) for impairment of trade receivables	**118,313**	(60,577)
Write-down of inventories to net realisable value[#]	**141,177**	425,371
Reversal of impairment of other receivables	**(10,778)**	—
Impairment of goodwill	**102,472**	—
Impairment of property, plant and equipment	**—**	581,335

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	—
Current — Mainland China:		
Income tax	**7,693**	13,423
Withholding tax	**—**	43,750
Deferred		
Income tax	**1,466**	23,769
Withholding tax	**—**	40,304
Tax charge for the period	**9,159**	121,246

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period.

The statutory tax rate for all subsidiaries in Mainland China was 25% for the six months ended 30 June 2014 (2013: 25%).

Changchun Dahe Bio Technology Development Co., Ltd. was approved as an advanced and new technology enterprise by the Jilin Government for the period from 5 November 2010 to 4 November 2016. It enjoys a preferential income tax rate of 15% from 1 January 2010 onwards.

8. DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

The calculation of the basic loss per share for the period ended 30 June 2014 is based on the consolidated loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 3,262,868,616 (six months ended 30 June 2013: 3,262,868,616).

During the six months ended 30 June 2014 and 2013, as anti-dilutive effect is resulted following the losses sustained by the Group, no adjustment has been made to the calculation of the dilutive loss per share.

10. TRADE AND BILLS RECEIVABLES

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Trade receivables	**1,041,607**	1,281,622
Bills receivable	**155,493**	294,355
Impairment	**(273,085)**	(156,720)
	924,015	1,419,257

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days were allowed to some major customers with a long term business relationship and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Within 1 month	**388,168**	495,674
1 to 2 months	**186,885**	229,018
2 to 3 months	**69,150**	71,760
3 to 6 months	**144,184**	283,502
Over 6 months	**135,628**	339,303
	924,015	1,419,257

The movements in provision for impairment of trade receivables are as follows:

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
At 1 January	**156,720**	234,495
Impairment losses recognised	**128,422**	11,177
Impairment losses reversed	**(10,109)**	(88,097)
Amount written off as uncollectible	**—**	(7,018)
Exchange realignment	**(1,948)**	6,163
At 30 June 2014/31 December 2013	**273,085**	156,720

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Neither past due nor impaired	**644,203**	796,452
Less than 1 month past due	**94,686**	90,957
1 to 3 months past due	**49,498**	266,408
Over 3 months past due	**135,628**	265,440
	924,015	1,419,257

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been any significant change in credit quality and the balances are still considered fully recoverable.

As at 30 June 2014, trade and bills receivable of HK$27,000,000 (31 December 2013: HK$105,091,000) were pledged to secure bank loans.

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Within 1 month	**599,567**	926,593
1 to 2 months	**639,563**	284,239
2 to 3 months	**160,335**	70,747
Over 3 months	**828,901**	943,679
	2,228,366	2,225,258

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

12. ISSUED CAPITAL

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

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Authorised:		
10,000,000,000 (31 December 2013: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,263,489,164 (31 December 2013: 3,263,489,164) ordinary shares of HK$0.10 each	**326,349**	326,349

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is the extract of the report on review of interim financial information from the external auditors of the Company:

Basis for Qualified Conclusion

As explained in note 22 to the interim condensed consolidated financial statements and the section headed "Litigation" in this announcement, the Company and certain subsidiaries of the Group were involved in litigations relating to certain infringed patents. A judgment was concluded by the court that the Company and these subsidiaries were in violation of an injunction and a penalty was imposed. We have been unable to obtain sufficient appropriate evidence to determine whether adequate provision has been made for the penalty as at 30 June 2014 in accordance with Hong Kong Accounting Standard 37 Provision, Contingent Liabilities and Contingent Assets issued by the Hong Kong Institute of Certified Accountants ("HKAS 37"). Any adjustment found to be necessary would affect the Group's statement of profit or loss for the period ended 30 June 2014 and the Group's statements of financial position as at that date, and the related disclosures in the financial statements.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Emphasis of Matter

Without further qualifying our opinion, we draw attention to note 2.1 to the interim condensed consolidated financial statements which indicates that the Group incurred a consolidated net loss of HK$1,431 million during the period ended 30 June 2014 and, as of that date, the Group's current liabilities exceeded its current assets by HK$2,974 million. These conditions, along with other matters as set forth in note 2.1 to the interim condensed consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of corn refined products, categorised into three major business segments, namely, the amino acids, polyol chemicals, and corn sweeteners segments. Corn, as the major raw material, is first refined by the wet milling process and then further refined biochemically or chemically to process into a wide range of high value-added downstream products.

Business Environment

During the first half of 2014, market environment has been fluctuating, and is yet to fully recover from the bottom. Challenges in various intensity are seen across different industries such as property, agricultural, food & beverages, consumers and infrastructure industries, due to shrunken domestic consumption, animal diseases, government interventions, and all sorts of economic aspects. The Group's performance was poorly hit in terms of revenue and margins level, and therefore recorded a wider loss in the first half of 2014.

The raw material for the Group's production, corn, is one of the major agricultural products experiencing drastic impact due to the intervention by the government of the direct procurement of corn from corn farmers during harvest seasons. Without ample supply of corn in the market, a weak supply but strong demand relationship was resulted as compared to other agricultural products in the worldwide market, leaving a flat but high price of corn. Hence, the corn refinery industry is experiencing a tough impact due to expensive raw materials for operation.

The amino acid business of the Group remains challenging although the market sentiment rebounded slightly during the second quarter of the year due to reduction in production by the market players. However, the average selling price of amino acid products remains below the marginal line and the business recorded loss during the period under review. The Group has launched the high value added protein lysine with a concentration of up to 80% lysine content during the period under review, which is in its initial stage of penetrating the market. Further marketing efforts will be dedicated by the Group in developing this area to enhance product portfolio and competitiveness in amino acid business.

The unfavorable market conditions in polyol chemicals industry continues to upset the polyol chemical business of the Group, and the management decided to suspend the operations since second quarter of the year in minimize operating cash outflow in this sector. Yet, close observation on market changes and modification of products portfolio will be the uptake strategies for this business.

FINANCIAL PERFORMANCE

The corn refinery industry has boomed rapidly over the past decade with the demand of corn as raw material for refinery and further processing also growing at an unanticipated pace. The purposively and strategically planned vertical integration of corn refinery and downstream processing has been well implemented in the Group's operation history. Corn starch refined from corn kernels, is used as major feedstock to downstream production, and consequently part of the production processes of various downstream products.

The competition of corn refined products was intensified by increasing production capacities established over the years in the industry and increasing cost of corn. Corn refinery, previously referred to as the upstream products segment, is no longer a major business unit for the Group. Therefore, the various business segments have been re-categorized since last year. The three major business segments have been further integrated by considering and consolidating the corn refinery as an initial production process and also part of the production process of value-added downstream products. Each business segment accounts for its major product lines and by-products manufactured during the processes.

Group Financial Performance

(Revenue: HK$3.6 billion (2013: HK$5.1 billion))
(Gross loss: HK$490 million (2013: HK$214 million))
(Net loss: HK$1,342 million (2013: HK$1,566 million))

The decline in financial performance was mainly due to the decline in the average selling prices and demand of the Group's products which in particular, the sale of the Group's lysine products was affected by the heavy market competition and emergence of the new bird flu strain lead to a record low market price of lysine products during the Period. The average cost of corn kernels decreased by approximately 3% to approximately HK$2,422 (2013: HK$2,509) per metric tonne ("MT") compared with the same period last year.

Amino acids segment

(Revenue: HK$2.1 billion (2013: HK$3.1 billion))
(Gross loss: HK$389 million (2013: Gross profit: HK$109 million))

The amino acids segment consists of major product lines such as lysine, protein lysine, threonine and other products, such as modified starch and corn refined products.

During the Period, the revenue of this segment decreased by approximately 33%, which were mainly attributable to the heavy pressure on average selling price, a decrease of demand of the products and reduction of production volume.

The revenue and gross loss of amino acids major products, such as lysine, protein lysine and threonine, amounted to approximately HK$1.3 billion (2013: HK$2.5 billion) and approximately HK$299 million (2013: Gross profit: HK$160 million) respectively, which accounted for approximately 37% (2013: 50%) of the Group's total revenue.

Among the major products, lysine products contributed the most to the Group's operations, which are applied as an additive in animal feed. The average selling price of lysine continued a downward trend since the last quarter of 2012 with a significant decrease in the gross profit of approximately 33% during the Period as compared to the same period last year. This downturn cycle is mainly attributable to the additional production capacity launched from the market and adverse impact from the H7N9 bird flu outbreak. The sales volume reported a drop of 22% due to a declining demand from animal feed market.

The modified starch products within the segment recorded revenue of approximately HK$60 million (2013: HK$96 million) and gross profit of approximately HK$2.8 million (2013: Gross loss HK$2 million) due to decreasing production costs and a slight increase in selling price of products.

During the Period, increase in sales volume of corn refined products by approximately 55% resulted in the revenue to increase by approximately 48% as compared to the same period last year, which amounted to approximately HK$698 million (2013: HK$471 million). The gross loss and gross loss margin of the upstream corn refined products were approximately HK$93 million (2013: HK$56 million) and approximately 13% (2013: 12%) respectively.

Polyol chemicals segment

(Revenue: HK$492 million (2013: HK$625 million))
(Gross loss: HK$134 million (2013: HK$422 million))

Polyol chemicals segment consists of polyol chemicals such as glycols, resins, hydrogen, ammonia, and corn refined products.

The corn refinery in polyol chemicals segment has no direct external sales of corn starch, but directly processes glucose as an intermediary for the polyol chemicals segment as well as the amino acids segment. During the Period, the sales volume of the glucose to amino acids segment slightly increased by approximately 4% to approximately 102,000 MT (2013: 98,000 MT) compared with the same period last year. The revenue and gross profit decreased by approximately 7% to approximately HK$224 million (2013: HK$240 million) and by approximately 159% to gross loss of approximately HK$13 million (2013: Gross profit HK$22 million) respectively.

During the Period, in light of reduced utilization of the production facility, the sales volume of the corn refined products decreased by approximately 13% to approximately 34,000 MT (2013: 39,000 MT) as compared with the same period last year. During the Period, the revenue decreased by approximately 14% to approximately HK$84 million (2013: HK$98 million) and the gross loss decreased by approximately 26% to approximately HK$14 million (2013: HK$19 million). The gross loss margin was approximately 16% (2013: 19%).

The polyol chemicals products generated revenue of approximately HK$80 million (2013: HK$79 million) and contributed gross loss of approximately HK$53 million (2013: HK$398 million). Such result was driven by consequential decline in market prices of polyol chemicals products due to unfavorable market conditions in the polyol chemicals industry. The market selling price of polyol chemicals products has dropped dramatically since second quarter of 2013, therefore, an additional provision of closing inventories of polyol chemicals of approximately HK$50 million at 30 June 2014 (2013: HK$334 million) was made. As a result, this business recorded a gross loss margin of approximately 67% (2013: 502%) during the Period. In view of the challenging operating conditions of the polyol chemicals business, the production of polyol chemicals has been temporarily suspended since April 2014.

Ammonia is a product launched by the Group since 2013. The revenue and gross loss of ammonia are approximately HK$104 million (2013: HK$208 million) and HK$55 million (2013: HK$27 million) respectively during the Period. Most of the ammonia was supplied to amino acids segment for production use.

Corn sweeteners segment

(Revenue: HK$1,499 million (2013: HK$2,095 million))
(Gross profit: HK$33 million (2013: HK$98 million))

The corn sweeteners segment consists of various liquid and solid sweeteners products and corn refined products, and is mainly operated by Global Sweeteners Holdings Limited ("GSH", together with its subsidiaries, the "GSH Group"), an indirect non-wholly owned subsidiary of the Company whose shares are listed on the Stock Exchange.

The operating environment of corn sweeteners was depressed by the increased raw material costs during the Period. The sales volume dropped by approximately 29% and revenue of corn sweeteners division decreased by approximately 28% as compared with the same period last year. The gross profit from this segment decreased to approximately HK$33 million (2013: HK$98 million), with a gross profit margin of approximately 2% (2013: 5%).

Consolidated results by product series

The consolidated revenue of the Group's products sold to external customers decreased substantially by approximately 28% and gross loss increased by approximately 129% respectively during the Period, which were mainly attributable to the drop in average selling prices and market demand. The consolidated figures in sales volume, average selling price, average cost of goods sold, revenue and gross profit/(loss) for the Period and the corresponding period last year as categorized by products are summarised as follows:

For the six months ended 30 June 2014

Product series	**Sales volume**	**Average selling price**	**Average cost of goods sold**	**Revenue**	**Gross profit/(loss)**
	MT	*HK$ per MT*	*HK$ per MT*	*HK$'000*	*HK$'000*
Upstream products	460,027	3,038	3,404	1,397,444	(168,702)
Downstream products					
Amino acids	239,517	5,569	6,752	1,333,902	(283,340)
Modified starch	13,780	4,387	4,173	60,455	2,949
Polyol chemicals	18,366	4,358	9,142	80,039	(87,866)
Ammonia	10,293	3,812	4,325	27,902	(20,578)
Corn sweeteners	213,741	3,477	3,162	743,105	67,215
Total				3,642,847	(490,322)

For the six months ended 30 June 2013

Product series	Sales volume	Average selling price	Average cost of goods sold	Revenue	Gross profit/(loss)
	MT	*HK$ per MT*	*HK$ per MT*	*HK$'000*	*HK$'000*
Upstream products	478,250	3,084	3,240	1,475,038	(74,475)
Downstream products					
Amino acids	307,430	8,269	7,703	2,542,253	174,061
Modified starch	22,303	4,300	4,381	95,895	(1,812)
Polyol chemicals	10,538	7,527	43,778	79,319	(382,004)
Ammonia	5,279	2,989	4,025	15,781	(5,468)
Corn sweeteners	230,762	3,651	3,324	842,588	75,503
Total				5,050,874	(214,195)

Export Sales

During the Period, the Group generated revenue of approximately HK$791 million (2013: HK$1,237 million) from export sales, which accounted for approximately 22% (2013: 24%) of the Group's total revenue, representing a decrease of approximately HK$446 million or approximately 36% as compared to the same period last year. The drop was due to the slowdown of the global market.

Operating expenses, finance costs and income tax expense

In line with the decrease of approximately 9% in total sales volume of the Group, the selling and distribution costs amounted to approximately HK$331 million (2013: HK$360 million), representing a decrease of approximately 8% as compared to the same period last year. However, the ratio of such operating expenses over the Group's revenue surged up to approximately 9% (2013: 7%) as the revenue of the Group decreased by approximately 28% as compared to the same period last year.

The administrative expenses of approximately HK$362 million (2013: HK$264 million), representing an increase of approximately 37%. Nevertheless, the ratio of such administrative expenses to revenue increased to approximately 10% (2013: 5%), due to the temporary suspension of polyol chemicals production since April 2014 in view of unfavourable market conditions, and the fixed overhead production costs of polyol chemicals amounting to approximately HK$38 million (2013: HK$Nil) during the Period was re-allocated to administrative expenses. Moreover, having considered (i) the current operating environment of the Group's lysine business, in particular the market demand and the average selling prices of lysine products and (ii) the preparation for relocation of production facilities, including one lysine production facility in Lu Yuan District, Changchun, operation of the lysine production facilities currently operated by Changchun Baocheng Bio-chem Development Co, Ltd. ("Changchun Baocheng") with annual production capacity of 200,000 MT has been suspended since April 2014, the fixed overhead production costs to Changchun Baocheng of approximately HK$30 million (2013: HK$Nil) was re-allocated to administrative expenses.

The other operating expenses for the Period amounted to approximately HK$250 million (2013: HK$616 million) mainly comprising of legal costs and compensation expenses of approximately HK$18 million (2013: HK$3 million) for the infringement litigations in Europe, the research and development expenses of approximately HK$10 million (2013: HK$9 million) due to the development of new series of lysine products, the provision for doubtful debts of approximately HK$118 million (2013: Provision of doubtful debts written back: HK$64 million) for the long overdue debtors and impairment of goodwill of a Changchun production plant incurred by the GSH Group that amounted to approximately HK$103 million (2013: HK$Nil).

During the Period, the finance costs decreased by approximately 8% to approximately HK$323 million (2013: HK$350 million) as compared to the corresponding period last year. However, it is anticipated that heavy pressure from finance costs will continue for the year 2014.

The total income tax amounting to approximately HK$9 million (2013: HK$121 million) was charged for the Period representing a decrease of approximately 93% as compared to the corresponding period last year.

Loss shared by non-controlling shareholders

During the Period, GSH recorded a loss of approximately HK$240 million (2013: HK$110 million) which gave rise to the loss shared by the non-controlling shareholders of GSH of approximately HK$87 million (2013: HK$39 million).

During the Period, Changchun Wanxiang Corn Oil Co., Ltd ("Changchun Wanxiang"), a wholly foreign owned enterprise established in the PRC that is owned as to 51% by the Group, was principally engaged in the manufacture and sales of corn oil. Changchun Wanxiang recorded a loss of HK$4.8 million (2013: HK$1.8 million), which gave rise to the loss shared by the non-controlling shareholders of Changchun Wanxiang of approximately HK$2.3 million (2013: HK$0.9 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

The total borrowings as at 30 June 2014 decreased by HK$1.3 billion to approximately HK$8.5 billion (31 December 2013: HK$9.8 billion). The net borrowings decreased to approximately HK$7.6 billion (31 December 2013: HK$8.5 billion). Cash and cash equivalents decreased by approximately HK$494 million to approximately HK$816 million (31 December 2013: HK$1,310 million) as compared to the cash level as at 31 December 2013.

Structure of interest bearing borrowings

As at 30 June 2014, the Group's bank and other borrowings amounted to approximately HK$8.5 billion (31 December 2013: HK$9.8 billion), of which approximately 1% (31 December 2013: 1%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 99% were denominated in Renminbi ("RMB"). The average interest rate during the Period was approximately 7.6% (31 December 2013: 6.9%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 61% (31 December 2013: 51%), approximately 35% (31 December 2013: 43%) and approximately 4% (31 December 2013: 6%), respectively. The changes were mainly due to the increase of approximately RMB0.2 billion loan repayable within one year and simultaneously decrease of approximately RMB1.5 billion loans repayable in the second to the fifth years.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms ranging from 30 to 90 days to established customers. During the Period, trade receivables turnover days remained at similar level at approximately 46 days (31 December 2013: 53 days). Meanwhile, the trade creditors turnover days increased to approximately 99 days (31 December 2013: 77 days) because a tightened payment policy has been put in place by the Group during the Period. On the other hand, as certain provisions were made for the inventories and lowered the level of inventories, the inventory turnover days improved to 101 days (31 December 2013: 115 days), simultaneously, the Group's level of inventories was decreased to approximately HK$2.3 billion (31 December 2013: HK$3.3 billion) during the Period.

The decrease of inventories of approximately HK$1.1 billion when compared to the position as at 31 December 2013, the current ratio and the quick ratio worsen to approximately 0.7 (31 December 2013: 1.0) and 0.4 (31 December 2013: 0.6) respectively. Moreover, due to the increase in short term borrowings during the Period, gearing ratio in term of net debts (i.e. net balance between interest bearing borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and non-controlling interest) and to shareholders equity deteriorated to approximately 212% (31 December 2013: 164%) and to approximately 268% (31 December 2013: 196%) respectively. On the other hand, gearing ratios in terms of (i) interest bearing borrowings to total assets and (ii) interest bearing borrowings to total equity worsen to approximately 53% (31 December 2013: 52%) and 235% (31 December 2013: 192%) respectively. In view of the continual support from existing bankers, the Group is of the view that continuous financing resources for its operation could be obtained.

Foreign exchange exposure

Since most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavourable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. In July 2011, the Group entered into a USD/CNY Currency SWAP (the "SWAP") with The Hongkong and Shanghai Banking Corporation Limited ("HSBC") for the initial purpose of hedging the exchange risk of the Bonds. Under the SWAP, the Group is liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 in return for 7% interest on the principal of RMB450 million semi-annually to 16 May 2014 and exchange the aforesaid US$69,875,776.40 into RMB450 million on 16 May 2014. The SWAP was early settled on 2 April 2014. Besides the SWAP, the Group did not use any material financial instrument for hedging purposes during the Period and the Group did not have any material hedging instrument outstanding as at 30 June 2014.

LITIGATION

As at the date of this announcement, the Company and certain of its wholly-owned subsidiaries ("Relevant Group Members") are involved in certain litigations in the Netherlands initiated by Ajinomoto Co. Inc. and Ajinomoto Eurolysine S.A.S. ("Plaintiffs") against the Relevant Group Members.

Alleged infringement of EP 0.773.710 (entitled "Process for Producing L-Lysine by Fermentation") ("EP '710")

Pursuant to the writ served on the Relevant Group Members on 22 October 2013, the Plaintiffs alleged that the Relevant Group Members have infringed EP '710 and requested for preliminary relief proceedings to be held before the District Court in The Hague, the Netherlands (the "District Court").

Pursuant to the writ, it is alleged by the Plaintiffs that a sample seized in the Netherlands in February 2013, which was then analyzed by a research agency engaged by the Plaintiffs, was found by the research agency to infringe EP '710.

On 20 March 2014, a judgment has been served on the Relevant Group Members regarding the above alleged new infringement. It was ruled by the District Court in summary proceedings that the Relevant Group Members have committed infringement of EP '710 and the following orders were made: (i) the penalties for violation of the injunctions contained in the earlier judgment of August 2007 ("Earlier Judgment") concerning EP '710 and EP 0.733.712 (entitled "Process for Producing Substance") ("**EP '712**") shall be increased to EUR1,000 per kilogram of L-lysine that is produced, used, commercialized, or offered for either of those, imported or kept in stock in the Netherlands, or EUR100,000 for each time or every day or part thereof; (ii) the Relevant Group Members shall provide to the counsel of the Plaintiffs within two months after service of the judgment a written specification, accompanied by copies of all relevant written documents, in particular, quotations, purchase and sales invoiced and packaging slips concerning the quantity of infringing L-lysine produced, used, commercialized or sold, supplied or offered or imported for either of those in the Netherlands, the turnover and net profit, as well as a list and details of all third parties involved in the Netherlands, in particular the customers of the infringing L-lysine in the Netherlands at the cost of the Relevant Group Members; (iii) the Relevant Group Members shall allow an independent auditor to examine the written specification set out in (ii) above, and shall grant access to and assist the independent auditor to verify the written specification at the cost of the Relevant Group Members; (iv) the Relevant Group Members shall within 14 days after service of the judgment request all of its buyers of the infringing L-lysine in the Netherlands in writing by using the wordings specified in the judgment to return the infringing L-lysine products within two weeks with an offer to compensate to the buyers the invoice price and transport costs; (v) the Relevant Group Members shall publish a statement on the Company's website with wordings specified in the judgment regarding the infringement within two business days after service of the judgment; (vi) the Relevant Group Members shall send a press release with wordings specified in the judgment to Feedinfo News Services and publish such press release on the website of Feedinfo News Services regarding the infringement within two days after service of the judgment; (vii) the Relevant Group Members shall publish an advertisement with wordings specified in the judgment in the next issue of the Professional Journal for the Grain Processing and Animal Feed Industry entitled "The Miller" regarding the infringement; (viii) the Relevant Group Members shall pay the Plaintiffs a penalty of EUR100,000 per day or part thereof if they fail to fully or properly comply with the orders set out in (i) to (vii) above; and (ix) the Relevant Group Members shall pay for the Plaintiffs' legal costs, which amounted to EUR70,000.

As at the date of this announcement, the Plaintiffs have requested for a total amount of EUR310,000, consisting (i) a penalty of EUR240,000 for violation of the Earlier Judgment, and (ii) EUR70,000 of the cost of proceedings, which have been paid for by the Group to the Plaintiffs. On 12 August 2014, the Plaintiffs have started follow-up proceedings on the merits by serving a writ of summons on the Relevant Group Members. A formal docket session is currently scheduled to take place on 10 December 2014.

Previous judgment concerning EP '710, EP '712 and EP 0.796.912 (entitled "Novel Lysine Decarboxylase Gene and Process for Producing L-Lysine") ("EP '912")

The Dutch Courts have ruled that the Relevant Group Members have committed infringement of EP '710, EP '712 and EP '912, which judgment is final. The Relevant Group Members disputed to the first instance costs of approximately EUR1,000,000 claimed by the Plaintiffs. A decision has been rendered by the Court on 27 August 2014, which the Court awarded the Plaintiffs the said amount of costs. The Directors have been advised by the Group's legal counsel that the judgment is immediately enforceable. During the Period, provision for such costs has been made by the Group.

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

Pursuant to the writs of summons received by the Relevant Group Members on 6 August 2013 from the court bailiff of the Court in The Hague, the Netherlands ("**Court**"), the Plaintiffs alleged that the Relevant Group Members have infringed EP '318 and requested the Court to rule that the Relevant Group Members have committed infringement and to make orders against the Relevant Group Members for, among others things, (i) forbidding the Relevant Group Members to commit infringement, or in any case to be involved in and/or benefit from infringing activities with regard to the Dutch part of the Relevant Patent; (ii) forbidding the Relevant Group Members to be involved in and/or benefit from the commercial trade of L-lysine on the Dutch market for a period of one year; (iii) providing to the counsel of the Plaintiffs an overview of the turnovers and net profits realized with the infringing L-lysine products; (iv) requesting all buyers of the Relevant Group Members with registered offices in the Netherlands to return the infringing L-lysine products; (v) placing a message on the website of the Company regarding the infringement; (vi) surrendering and destroying the stored infringing L-lysine products in the Netherlands; (vii) paying penalty of EUR100,000 per day for non-compliance of any of the above orders; (viii) paying for the cost of the legal proceedings; and (ix) paying either the net profit enjoyed with the infringement and interest accrued thereon as the Plaintiffs may claim, or the net profit enjoyed by the Relevant Group Members or the damage, costs of which to be assessed by the Court.

On 8 January 2014, a response was filed on behalf of the Relevant Group Members disputing the allegations of infringement and by way of counterclaim requesting invalidation of the invoked patent. The Plaintiffs filed a response to the aforementioned counterclaim on 5 March 2014 and an oral hearing took place on 13 June 2014. The judgment is set for 10 September 2014.

For other litigations, the Directors have been advised by the Group's legal counsel that the Group has grounds to defend the claims. Therefore, no provision for other infringement compensation is considered necessary. Save as disclosed above, there was no material contingent liability of the Group as at 30 June 2014.

RESUMPTION OF LAND, BUILDINGS, MACHINERIES AND FIXTURES

Reference is made to the circular of the Company dated 7 May 2014 and the announcements of the Company dated 7 January 2014, 13 January 2014 and 27 August 2014 in relation to the resumption of land and buildings, machineries and fixtures erected thereon in Changchun, the PRC.

In response to the call of the local government to industrial companies to move their factories away from the central districts of the city which have developed rapidly, on 30 December 2013, the Group entered into three compensation agreements with the Changchun Land Reserve Centre（長春市土地儲備中心）(the "Land Reserve Centre") pursuant to which the Group agreed to the resumption of three pieces of land located on the west side of Xihuancheng Road, Changchun, the PRC. On the same date, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group agreed to the resumption of a piece of land located on the west side of Xihuancheng Road, Changchun, the PRC. On 31 December 2013, the GSH Group entered into a compensation agreement with the Land Reserve Centre pursuant to which the GSH Group has agreed to the resumption of the buildings and fixtures erected thereon.

As approved by the shareholders of the Company at an extraordinary general meeting held on 23 May 2014, the Group has entered into a compensation agreement with the Land Reserve Centre for the resumption of buildings, machineries and fixtures erected on a piece of land located on the west side of Xihuancheng Road, Changchun, the PRC.

The production facilities of the GBT Group and the GSH Group currently located on both the west and the east side of Xihuancheng Road, Changchun, the PRC have or will be relocated to Xinglongshan, Changchun, the PRC. As at the date of this announcement, part of the production facilities of the GBT Group in Xinglongshan, Changchun, the PRC has already commenced commercial production. It is expected that the GSH Group shall commence construction of the production facilities and installation of new equipment in Xinglongshan in the third quarter of 2014 and commercial production at the new site in Xinglongshan shall commence by the first half of 2015.

As announced by the Company on 27 August 2014, the Group is in the course of negotiation with the Land Reserve Centre on the terms of the resumption of the land located on the east side of Xihuancheng Road, Changchun, the PRC. No formal agreement has been entered into between the parties but the parties have reached a preliminary understanding on the intention of the resumption of land. It is the parties' understanding that the compensation will be determined with reference to the valuation to be performed by a valuer to be appointed by the Land Reserve Centre. Based on a preliminary estimation by the Board, it is expected that the formal agreement(s), once entered into between the parties, may constitute a very substantial disposal transaction of the Company under Chapter 14 of the Listing Rules. The Company will make an announcement and comply with the relevant requirements under Chapter 14 of the Listing Rules once the formal agreement(s) shall have been finalized or signed.

SCALE DOWN OF PRODUCTION VOLUME FOR LYSINE PRODUCTS AND SUSPENSION OF POLYOL CHEMICALS PRODUCTION

Having considered (i) the current operating environment of the Group's lysine business, in particular the market demand and the average selling prices of lysine products and (ii) the preparation for relocation of production facilities, including one lysine production facility in Lu Yuan District, Changchun, the Group has decided to scale down the production volume for lysine products planned for the year ending 31 December 2014. As such, operation of the lysine production facilities currently operated by Changchun Baocheng with annual production capacity of 200,000 MT has been suspended since April 2014. Production volume for lysine products will be adjusted according to market sentiment.

In addition, due to unfavorable market conditions, the production of polyol chemicals at the production plant of the Group has been suspended since April 2014. The production of polyol chemicals accounted for approximately 2.1% of the total revenue of the Group for the year ended 31 December 2013, and had an insignificant contribution to the Group's profit for the above periods. As such, the Directors consider that the suspension of production of polyol chemicals products will not have material adverse impact on the operations and financial position of the Group.

OUTLOOK

In light of uncertain market situations for the Group, the Group will undertake sensible strategies in managing the development plan by taking into account the financial status of the Group and exerting prudent control on the Group's operations. A mild recovery is expected in the amino acid business by the end of the year with the approaching of the peak season. In addition, cautious production plan within market would also improve market sentiment. Again, close observation on market changes or phase of consolidation is needed, and retrieval from the animal feed industry would be expected in near future.

As harvest season of corn is expected in the fourth quarter of this year, supply of fresh corn will be revived and shall be beneficial to animal feed production and corn refinery operation in the market.

Relocation of the production facilities for amino acid segment to Dehui District, Changchun and other production facilities for, among others, the corn sweeteners segment from Lu Yuan District, Changchun to Xinglongshan District, Changchun will be the major development task for the Group during this year and in the upcoming years. As the Changchun municipal government has been very supportive in assisting the Group's relocation of production facilities, further negotiation is underway with the Land Reserve Centre regarding the compensation for the rest of the Group's production plant in the central district of the city. Possible disposal of certain unused assets and land reserve consequential to the resumption shall also enable supplementary cash flow in supporting the objective in reducing gearing for better financial position.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2014, the Group had approximately 5,700 full time employees in Hong Kong and the PRC. The Group recognizes the importance of human resources to its success, and recruited qualified and experienced personnel for increased production capability and development of new biochemical products. Remuneration of employees is maintained at competitive levels with discretionary bonuses payable on a merit basis whilst in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders of the Company and devotes considerable effort in identifying and formalising best practices. The Board regularly reviews the Group's corporate governance guidelines and developments. To the best knowledge and belief of the Board, save as disclosed below, the Board considers that the Company has complied with all code provisions as laid down in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Period.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be performed by different individuals. The Company did not have any officer with the title "chief executive officer" but Mr. Liu Xiaoming is currently taking up the role of chairman and undertaking the function as chief executive officer. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring effective and efficient decision making and management control.

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

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

AUDIT COMMITTEE

The audit committee of the Company (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 and internal controls. The Audit Committee comprises three independent non-executive Directors namely Mr. Lee Yuen Kwong (the chairman of the committee), Mr. Chan Man Hon, Eric, and Mr. Li Defa.

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

The Group's interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

FULL DETAILS OF FINANCIAL INFORMATION

The interim report of the Company, including the information required by the Listing Rules, will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.globalbiochem.com) in due course.

On behalf of the Board
Global Bio-chem Technology Group Company Limited
Liu Xiaoming
Chairman

Hong Kong, 29 August 2014

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:	*Mr. Liu Xiaoming, Ms. Xu Ziyi, Mr. Li Weigang and Mr. Wang Yongan*
Independent non-executive Directors:	*Mr. Chan Man Hon, Eric, Mr. Lee Yuen Kwong and Mr. Li Defa*