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 2009

The board (the "Board") of directors (the "Directors") of Global Bio-chem Technology Group Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009 (the "Period"), together with the comparative figures in the corresponding period in 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 ("Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2009 (Unaudited) HK$'000	2008 (Restated) (Unaudited) HK$'000
REVENUE			
Sales of goods	5	**3,396,310**	4,789,259
Cost of sales		**(3,038,450)**	(3,533,930)
Gross profit		**357,860**	1,255,329
Other income	5	**30,042**	58,462
Negative goodwill		**—**	24,036
Selling and distribution costs		**(180,484)**	(263,699)
Administrative expenses		**(121,550)**	(136,673)
Other expenses		**(14,361)**	(60,470)
Finance costs	6	**(156,007)**	(194,091)
Share of profits of jointly controlled entities		**2,839**	5,057
PROFIT/(LOSS) BEFORE TAX	7	**(81,661)**	687,951
Tax	8	**(7,539)**	(39,358)
PROFIT/(LOSS) FOR THE PERIOD		**(89,200)**	648,593
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange difference on translation of financial statements of operations outside Hong Kong		**(2,021)**	310,901
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(91,221)**	959,494
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the Company		**(90,532)**	602,009
Minority interests		**1,332**	46,584
		(89,200)	648,593

	Notes	Six months ended 30 June **2009** (Unaudited) *HK$'000*	2008 (Restated) (Unaudited) *HK$'000*
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Equity holders of the Company		**(92,919)**	893,712
Minority interests		**1,698**	65,782
		(91,221)	959,494
EARNINGS/(LOSS) PER SHARE			
— Basic	9	**HK(3.9) cents**	HK26.0 cents
— Diluted	9	**N/A**	N/A
DIVIDEND PER SHARE	10	**—**	HK1.5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Restated) (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**8,846,301**	8,960,535
Prepaid land premiums		**535,722**	534,714
Deposits paid for acquisition of property, plant and equipment		**391,074**	231,101
Goodwill		**348,428**	348,428
Interests in jointly controlled entities		**94,480**	91,634
Deferred tax assets		**14,290**	2,192
Total non-current assets		**10,230,295**	10,168,604
CURRENT ASSETS			
Inventories		**2,542,254**	2,268,543
Trade receivables	11	**1,258,648**	1,111,732
Prepayments, deposits and other receivables		**325,226**	357,894
Due from jointly controlled entities		**3,264**	2,685
Tax recoverable		**26,107**	29,182
Cash and cash equivalents		**1,343,345**	1,476,700
Total current assets		**5,498,844**	5,246,736
CURRENT LIABILITIES			
Trade payables	12	**990,241**	1,057,996
Other payables and accruals		**943,878**	778,394
Due to a director		**67,580**	—
Interest-bearing bank loans		**3,246,409**	3,416,562
Tax payable		**43,546**	37,796
Total current liabilities		**5,291,654**	5,290,748
NET CURRENT ASSETS/(LIABILITIES)		**207,190**	(44,012)
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,437,485**	10,124,592

	Notes	**30 June 2009**	31 December 2008
			(Restated)
		(Unaudited)	(Audited)
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**2,533,982**	2,123,441
Deferred income		**37,049**	27,620
Deferred tax liabilities		**74,590**	73,056
Total non-current liabilities		**2,645,621**	2,224,117
Net assets		**7,791,864**	7,900,475
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	**231,885**	231,885
Reserves		**7,040,330**	7,132,648
Proposed dividend		**—**	23,188
		7,272,215	7,387,721
Minority interests		**519,649**	512,754
Total equity		**7,791,864**	7,900,475

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the Period were authorised for issue in accordance with a resolution of the Board passed on 17 September 2009.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 4 May 1999. The Group is involved in the manufacture and sale of corn refined products and corn based biochemical products.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

Included in the Group's interest-bearing bank borrowings under current liabilities as at 30 June 2009 were loans of US$75 million (equivalent to HK$581 million) (31 December 2008: HK$194 million under current liabilities and HK$581 million under non-current liabilities), which are due for repayment on 31 January 2010. These loans were made pursuant to a facilities agreement (the "Facilities Agreement") dated 29 December 2008 in respect of loan facilities totalling up to US$100 million (equivalent to HK$775 million). During the Period, a total of US$25 million (equivalent to HK$194 million) has been repaid in accordance with the repayment schedule as set out in the Facilities Agreement. At 30 June 2009, it was noted that the Group was unable to comply with one of the financial covenants as required by the Facilities Agreement. The Directors consider that the Group's inability to comply with such financial covenant of these loans will not have any negative impact on the Group's ability to settle its liabilities as and when they fall due. Accordingly, these interim condensed consolidated financial statements have been prepared on a going concern basis.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2008, except for the change of accounting policy used to account for the Group's interests in the jointly controlled entities as detailed in note 3 below and the adoption of the following Hong Kong Financial Reporting Standards ("HKFRSs"), which are mandatory for annual periods beginning on or after 1 January 2009.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HK(IFRIC)-Int 9 & HKAS39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operations

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are recognised as part of profit or loss for the period, or otherwise in the other comprehensive income. Entities may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Group has elected to present the components of profit or loss in a single consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 did not result in significant changes in the Group's segment information to be presented, as segment information are previously presented in a manner consistent with the basis used for internal reporting purpose.

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:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[1]
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvement to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[2]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standard[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[2]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[4]

1 The amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 January 2010

4 Effective for transfer on or after 1 July 2009

The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. CHANGES OF ACCOUNTING POLICY

During the Period, the Directors elected to change the accounting policy used to account for the Group's jointly controlled entities from proportionate consolidation to equity method since the Directors considered that it would save cost for the preparation of these financial statements but would still provide useful financial information about the economic activity of the Group to the readers. The effect of this change did not result in any impact on the profit and the equity attributable to equity shareholders of the Company in the periods prior to the change.

The financial position as at 31 December 2008 and the results of operation for the six months ended 30 June 2008 previously reported by the Group have been restated to apply the equity method for the interests in jointly controlled entities, as set out below:

	The Group, as previously reported *HK$'000*	**Effect of accounting for interests in jointly controlled entities under equity method** *HK$'000*	**The Group, as restated** *HK$'000*
Items of condensed consolidated statement of comprehensive income for the six months ended 30 June 2008			
Turnover	4,851,952	(62,693)	4,789,259
Gross profit	1,265,632	(10,303)	1,255,329
Share of profits of jointly controlled entities	—	5,057	5,057
Profit before taxation	688,665	(714)	687,951
Profit for the period	648,593	—	648,593
Profit attributable to equity holders of the Company	602,009	—	602,009
Items of condensed consolidated statement of financial position as at 31 December 2008			
Non-current assets	10,137,762	30,842	10,168,604
Interests in jointly controlled entities	—	91,634	91,634
Current assets	5,304,223	(57,487)	5,246,736
Current liabilities	5,296,982	(6,234)	5,290,748
Net current assets/(liabilities)	7,241	(51,253)	(44,012)
Non-current liabilities	2,244,528	(20,411)	2,224,117
Net assets	7,900,475	—	7,900,475
Total equity attributable to equity holders of the Company	7,387,721	—	7,387,721
Total equity	7,900,475	—	7,900,475

4. SEGMENT INFORMATION

For management purposes, the reportable operating segments represent a strategic business unit that offers products which are subject to risks and returns that are different from those of other business segments as follows:

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

(b) the corn based biochemical products segment engages in the manufacture and sale of corn based biochemical products, including corn sweeteners, polyol chemicals and amino acids.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. These reportable segments are the basis on which the Group reports its segment information and no operating segments have been aggregated to form the above reportable operating segments. Intersegment revenue are eliminated on consolidation. Intersegment sales and transactions are charged at prevailing market prices.

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

(a) Business unit information

	Corn refined products		**Corn based biochemical products**		**Eliminations**		**Consolidated**	
	Six months ended 30 June							
	2009	2008	**2009**	2008 (Restated)	**2009**	2008 (Restated)	**2009**	2008 (Restated)
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**1,058,569**	1,517,704	**2,337,741**	3,271,555	**—**	—	**3,396,310**	4,789,259
Intersegment sales	**1,141,225**	1,302,612	**—**	—	**(1,141,225)**	(1,302,612)	**—**	—
Total revenue	**2,199,794**	2,820,316	**2,337,741**	3,271,555	**(1,141,225)**	(1,302,612)	**3,396,310**	4,789,259
Segment results	**73,520**	323,989	**(17,695)**	555,005	**—**	—	**55,825**	878,994
Unallocated revenue							**30,042**	58,462
Unallocated expenses							**(11,521)**	(55,414)
Finance costs							**(156,007)**	(194,091)
Profit/(loss) before tax							**(81,661)**	687,951
Tax							**(7,539)**	(39,358)
Profit/(loss) for the period							**(89,200)**	648,593

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
	Six months ended 30 June					
	2009	2008	**2009**	2008	**2009**	2008
		(Restated)		(Restated)		(Restated)
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**2,870,435**	3,661,649	**525,875**	1,127,610	**3,396,310**	4,789,259

5. REVENUE AND OTHER INCOME

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 other income is as follows:

	Six months ended 30 June	
	2009	2008
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**1,318**	11,503
Sales of scraps and raw materials	**16,275**	3,645
Exchange gains, net	**252**	42,424
Government subsidy	**9,914**	—
Others	**2,283**	890
	30,042	58,462

6. FINANCE COSTS

	Six months ended 30 June	
	2009	2008
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans:		
Wholly repayable within five years	**181,853**	194,091
Less: Interest capitalised	**(25,846)**	—
	156,007	194,091

7. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2009	2008
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Raw materials and consumables used	**2,374,049**	2,764,607
Provision for legal expenses	**9,349**	51,807
Depreciation	**239,079**	220,083
Amortisation of prepaid land premiums	**11,085**	7,875
Negative goodwill	**—**	24,036
Impairment of trade receivables	**1,963**	14,351
Write-down of inventories to net realisable value#	**61,485**	—

Included in "cost of sales" in the condensed consolidated statement of comprehensive income.

8. TAX

	Six months ended 30 June	
	2009	2008
		(Restated)
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Provisions for the current period:		
Hong Kong profits tax	**—**	1,000
PRC corporate income tax	**7,539**	38,358
Tax charge for the period	**7,539**	39,358

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Period. Hong Kong profits tax was provided in the prior period at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that period.

The statutory tax rate for all subsidiaries in Mainland China is 25% for the six months ended 30 June 2009. During the prior period, the statutory tax rate was 25%, except for five subsidiaries, which were granted Technological Advanced Enterprise status and were entitled to a lower applicable tax rate of 15% according to Article 75 of the Detailed Rules and Regulation for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises.

As of 1 January 2008, the Enterprise Income Tax Law of the PRC (the "EITL") became effective. According to the EITL, enterprises that previously enjoy the preferential policies of low tax rates shall be gradually transitioned to enjoy the statutory tax rate within 5 years after the implementation of the EITL. Among them, the enterprises that enjoy the enterprise income tax rate of 15% shall be subject to the enterprise income tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

All of the Group's subsidiaries operating in Mainland China are exempted from PRC corporate income tax for two years starting from the first profitable year of their operations and are entitled to a 50% relief from the PRC corporate income tax for the following three years.

During the current period, taxes on the assessable profits of five (2008: three) PRC subsidiaries had been calculated at 50% of the applicable prevailing tax rate in the PRC.

No provision for income tax has been made for three of the Group's PRC subsidiaries (2008: five) as they remain exempt from income tax for their first two profitable years of their operations.

The remaining PRC subsidiaries of the Group have not made any provision for income tax as they did not generate any assessable profits for the current and prior periods.

Tax recoverable represents excess of tax payments over estimated tax liabilities by certain group companies.

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the consolidated net loss from ordinary activities attributable to equity holders of the Company for the Period of approximately HK$90,532,000 (2008 net profit: HK$602,009,000) and 2,318,849,403 (2008: 2,318,849,403) ordinary shares in issue during the Period.

Since there were no dilutive potential ordinary shares in existence for the six months ended 30 June 2009 and 2008, no diluted earnings/(loss) per share amounts were presented for both periods.

10. DIVIDEND

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim — Nil (2008: HK1.5 cents) per ordinary share	**—**	34,783

The Directors do not recommend the payment of any interim dividend for the Period (six months ended 30 June 2008: HK1.5 cents).

11. TRADE RECEIVABLES

	30 June	31 December
	2009	2008
		(Restated)
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**1,276,158**	1,127,279
Impairment	**(17,510)**	(15,547)
Total	**1,258,648**	1,111,732

The Group normally allows credit terms of 90 days to established customers. 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. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at 30 June 2009, based on the date of recognition of the sale, is as follows:

	30 June 2009	31 December 2008
		(Restated)
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**818,990**	277,780
1 to 2 months	**120,340**	172,331
2 to 3 months	**78,167**	99,983
Over 3 months	**241,151**	561,638
Total	**1,258,648**	1,111,732

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

	2009	2008
		(Restated)
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
At 1 January 2009/1 January 2008	**15,547**	10,697
Impairment losses recognised	**1,963**	4,022
Exchange realignment	**—**	828
At 30 June 2009/31 December 2008	**17,510**	15,547

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

	30 June 2009	31 December 2008
		(Restated)
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,017,497**	550,094
Less than 1 month past due	**64,344**	410,667
1 to 3 months past due	**176,807**	150,971
Total	**1,258,648**	1,111,732

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 history of payment 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 a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers, except for the purchase of corn kernels from farmers, which are normally settled on a cash basis. The carrying amounts of trade payables approximate to their fair values.

An aged analysis of the trade payables as at 30 June 2009, based on the invoice date, is as follows:

	30 June 2009	31 December 2008
		(Restated)
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**192,529**	786,347
1 to 2 months	**170,293**	110,484
2 to 3 months	**313,309**	46,343
Over 3 months	**314,110**	114,822
Total	**990,241**	1,057,996

13. SHARE CAPITAL

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

	30 June 2009	31 December 2008
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (31 December 2008: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
2,318,849,403 (31 December 2008: 2,318,849,403) ordinary shares of HK$0.10 each	**231,885**	231,885

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of corn refined and corn based biochemical products, categorised into upstream and downstream products. Upstream products include corn starch, gluten meal and other corn refined products. Corn starch is then further refined into a wide range of high value-added downstream products including amino acids, corn sweeteners, modified starch and polyol chemicals.

BUSINESS ENVIRONMENT

Since the second half of 2008, the business environment of corn refinery industry deteriorated rapidly due to the global economic downturn. The slip of petroleum price, the shrinking of export of textile industry, the tightening of bank borrowing and fear of recession caused a consequential drop in demand and customers' stock level, which severely affected our product prices. Although such unfavourable market condition has been gradually improving since the second quarter of 2009, the performance of the Group during the Period was inevitably adversely and seriously affected.

During the Period, the demand from overseas markets dropped rapidly and substantially. Export sales shrank and accounted for approximately 14% (2008: 23%) of the Group's revenue.

CHANGES OF ACCOUNTING POLICY

During the Period, the accounting policy used to account for the Group's jointly controlled entities had been changed from proportionate consolidation to equity method since the Directors considered that it would save cost for the preparation of the financial statements but would still provide useful financial information about the economic activity of the Group to the readers. The change did not result in any impact on the profit and the equity attributable to equity holders of the Company in the periods prior to the change.

Details of the restatement of items previously reported were disclosed in note 3 of the interim condensed consolidated financial statements above.

FINANCIAL PERFORMANCE

(Revenue: HK$3.4 billion (2008: HK$4.8 billion))
(Gross profit: HK$358 million (2008: HK$1,255 million))
(Net loss: HK$89 million (2008: net profit HK$649 million))

The adverse financial performance was mainly due to the significant decline (in average 14%) of selling price and the drop (overall 17%) in sales volume of almost all of our product series as compared to corresponding period last year. Meanwhile, the operating result was further affected by a provision for polyol chemical products amounting to approximately HK$61 million.

Upstream products segment

(Revenue: HK$1.1 billion (2008: HK$1.5 billion))
(Gross profit: HK$88 million (2008: HK$288 million))

In view of the sharp decrease in corn starch price since the last quarter of 2008, the Group scaled down its upstream production and performed extensive maintenance of production facilities during the first quarter of 2009 in order to minimise the operating loss of upstream products segment. Although both the production activities and the selling price of upstream products had resumed normally since the second quarter of 2009, the average selling price and sales volume of upstream products during the Period dropped by approximately 12% and 20% respectively as compared to same period last year.

Downstream products segment

(Revenue: HK$2.3 billion (2008: HK$3.3 billion))
(Gross profit: HK$270 million (2008: HK$967 million))

The revenue and gross profit of downstream products decreased substantially by approximately 29% and 72% respectively during the Period, which was mainly attributable to the decline of selling prices and drop in sales volume of most of our downstream product series. The changes in sales volume, average selling price, average cost of goods sold, revenue and gross profit for the Period as compared to the same period last year are summarised below:

Changes of downstream product series for the Period

Product series	**Sales volume**	**Average selling price**	**Average cost of good sold**	**Revenue**	**Gross profit**
Amino acids	26%	(29%)	(16%)	(10%)	(51%)
Modified starch	(16%)	(12%)	(3%)	(26%)	(69%)
Corn sweeteners	(32%)	(2%)	17%	(33%)	(67%)
Polyol chemicals	(64%)	(35%)	35%^	(76%)	(117%)
Overall	(14%)	(17%)	4%	(29%)	(72%)

^ *additional provision for polyol chemicals at 30 June 2009 of approximately HK$61 million had been taken into consideration*

Among those downstream product series, the sales volume of amino acids increased by approximately 26% which was attributable to the enormous efforts in promoting the domestically-used protein lysine. However, a 51% reduction in gross profit of amino acids was recorded because of the slip of selling price and demand drop from overseas markets.

The performance of modified starch was highly affected by the weary Asian market while the export volume of those high value-added products reduced substantially during the Period. Since the second half of 2009, the export business of modified starch has been resuming gradually.

Because of the outbreak of melamine-tainted food incident in Mainland China and the global financial tsunami in the second half of 2008, the operating environment of corn sweeteners remained weak during the Period. Nonetheless, its average selling price was relatively stable.

Meanwhile, due to the severe market conditions with ample market inventory and the tremendous decline in crude oil price since the second half of last year, the sales of polyol chemicals during the Period shriveled seriously. Despite the positive outlook of demand, an additional provision for stock at 30 June 2009 of approximately HK$61 million was made and charged to cost of sales for the sake of prudence, which resulted in a gross loss of approximately HK$45 million.

Product segments

The sales and gross profit of upstream products accounted for approximately 31% (2008: 32%) and approximately 24% (2008: 23%) of the Group's totals, respectively. There was no significant change because the performance of both products segments was simultaneously affected by the poor market condition.

Operating expenses and tax

In order to improve the competitive edge in such harsh operating environment, stringent controls over operating expenses were further reinforced. As a result, approximately 31% of reduction in operating expenses other than finance costs was achieved while the ratio of total operating expenses to turnover of less than 9% (2008: 10%) was recorded, which was at similar level as compared to the corresponding period.

Despite the enlarged borrowing portfolio, the finance costs decreased by approximately 20% as compared to the same period last year which was mainly due to the drop in average interest rate and increase in interest capitalised as fixed assets of approximately HK$26 million. However, it is anticipated that the finance costs will remain heavy for the rest of this year.

With the prevailing income tax laws and regulations, certain subsidiaries established in Mainland China can still enjoy income tax relief. However, the tax holiday of most of the profitable entities had been expired while those entities were still enjoying tax relief operated at losses during the Period. As a result, income tax amounting to approximately HK$8 million (2008: HK$39 million) were charged for the Period despite an operating loss of the Group.

Share of profits of jointly controlled entities

During the Period, the high fructose corn syrup joint venture recorded an operating profit of approximately HK$3 million (2008: HK$5 million). The drop in operating profit was mainly due to the reduction of sales volume.

Net loss attributable to equity holders of the Company

Mainly resulted from the decline in product prices, drop in sales volume and an additional provision of polyol chemicals, the net loss attributable to equity holders of the Company of approximately HK$91 million was resulted.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support additional working capital requirement and the capital expenditure on projects including the construction of facilities, the net borrowings as of 30 June 2009 increased to approximately HK$4.4 billion (31 December 2008: HK$4.1 billion).

Structure of interest-bearing borrowings

As at 30 June 2009, the Group's bank borrowings amounted to approximately HK$5.8 billion (31 December 2008: HK$5.5 billion), of which approximately 12% (31 December 2008: 19%) was denominated in Hong Kong dollars or US dollars while the remainder was denominated in Renmenbi ("RMB"). With the downward trend of interest margin in the PRC, the average interest rate during the Period was approximately 6.5% (2008: 7%).

The percentage of bank and other borrowings wholly repayable within one year, in the second to the fifth year and beyond five years were approximately 56% (31 December 2008: 62%), 44% (31 December 2008: 38%) and less than 1% (31 December 2008: less than 1%) respectively. The change is mainly due to the renewal of certain bank loans of which 2-year repayment terms were granted. At 30 June 2009, a mortgage loan was secured by one of the Group's properties with a carrying value/ aggregate net book value of approximately HK$20 million (31 December 2008: HK$21 million).

Non-compliance of a financial covenant

Included in the Group's interest-bearing bank borrowings under current liabilities as at 30 June 2009 were loans of US$75 million (equivalent to HK$581 million), which are due for repayment in early 2010. Although the Group was unable to comply with one of the financial covenants of these loans, the Directors considers that such non-compliance will not have any significant negative impact on the Group's ability to settle its liabilities as and when they fall due.

Turnover days, liquidity ratios and gearing ratios

Due to the global financial tsunami, the sales activities slowed down since the last quarter of 2008. As a result, finished good level as at 30 June 2009 became relatively high and inventory turnover days increased to approximately 151 days (31 December 2008: 119 days). At the same time, in order to secure the sales activities under harsh operating environment, favourable credit terms were granted to customers but also received from suppliers. Accordingly, the turnover days of trade receivables and trade payables increased to approximately 67 days (31 December 2008: 47 days) and 59 days (31 December 2008: 55 days) respectively.

Due to the renewal of certain bank loans of which 2-year repayment terms were granted, aggregate amount of bank loans classified as current liabilities reduced. Current ratio, thus, improved slightly to 1.04 (31 December 2008: 0.99). However, quick ratio did not improve in line with current ratio because of the increase in stock level. At 30 June 2008, the quick ratio remained at 0.6 (31 December 2008: 0.6).

At the same time, due to the reduction of cash inflow since the global financial tsunami, gearing ratios in term of (i) net debts (i.e. net balance between bank borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and minority interest) and (ii) bank borrowings to total equity increased to 57% (31 December 2008: 51%) and 74% (31 December 2008: 70%), respectively. Nevertheless, gearing ratio in terms of bank borrowings to total assets remained stable at approximately 36% (31 December 2008: 36%). In view of the continual support from existing bankers, the Group is able to obtain continuous financing resources for its operation.

Foreign exchange exposure

Although most of the operations were carried out in Mainland China in which transactions were denominated in RMB, the Directors consider that there is no unfavorable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and declaration of future dividends.

During the Period, the Group did not use any financial instrument for hedging purposes and the Group did not have any hedging instrument outstanding as at 30 June 2009.

PROSPECTS

It is the Group's mission to become one of the leading vertically integrated corn based biochemical product manufacturers in the Asia-Pacific Region, as well as becoming a major player in the global market. To realise this objective, the Group will strive to enlarge its market share and diversify its product mix, as well as enhance its capability in developing high value-added downstream products through research and development and through strategic business alliances with prominent international market leaders.

2009 is a year with full of challenges. With the global financial tsunami and general slowdown of the world economy since the second half of 2008, the Group has been facing a tough business environment in terms of economic situations in the local and overseas markets, especially in the first quarter of 2009. The operating environment has been gradually improving since the second quarter of 2009 and the Directors believe that those existing difficulties are considerable but surmountable. In view of various economic revitalisation proposals launched by the PRC government, Mainland China is one of the first to recover from the global financial crisis. The Directors also expect that the Group's performance will improve as over 80% of the Group's income is generated from businesses in Mainland China. The Board will endeavor to manage the existing businesses and any new investment of the Group prudently in order to maximise the return and wealth to the equity holders of the Company.

Polyol chemicals project

Polyol chemicals include ethylene glycol, propylene glycol, glycerin and butanediols and can be used in textile, plastic, construction materials, medical, chemical and cosmetic industries. The end products from these chemicals include polyester fibre, polymer resin and anti-freezer, chemicals applied in the production of coatings, PVC stabilisers, detergents, paint driers, etc. Usually, polyol chemicals are refined from crude oil and thus, their prices are highly correlated. In view of the insufficient supply of crude oil in long run and the consciousness of eco-friendly businesses, the Directors believe that the use of agricultural products as raw material of polyol chemicals becomes a feasible alternative.

The Board is of the opinion that Mainland China and other regions in Asia are the markets with enormous potential for the polyol chemical products. In addition to the polyol chemical plant with an annual capacity of 210,000 metric tones in Changchun, the Board has decided to further expand the Group's production capacity of polyol chemicals in order to capture such huge potential market. To facilitate such development, construction work of upstream products facilities in Xinglongshan of Changchun is now in progress. It is expected that the success in the polyol project will generate large contribution to the Group in the foreseeable future.

Amino Acids

Currently, the aggregate annual production capacity of amino acids is around 460,000 metric tonnes and those facilities can be interchangeable to produce different amino acids or fermentation products. Meanwhile, steady demand growth in Mainland China is expected when feed producers lift up their consumption rate of lysine to follow the national or western countries' indicated additive proportion in the feed industry. With the continuous and strong demand growth in lysine products, the Group is utilising all fermentation facilities for the production of lysine products.

In addition, the Group is also dedicated to the research and development of many other high value-added amino acids, and cultivation of micro-organisms to improve the production yield to fuel our growth momentum.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently proposed respondents in certain litigations in Europe in relation to the alleged infringement of registered patents applicable in the production of lysine. Among these litigations, The Hague District Court, on 22 August 2007, handed down its judgment that the Group's L-lysine products had infringed two patents of third parties and issued orders (i) prohibiting the Group from further infringement and the offer for sale, import and/or trade of any infringing products, L-lysine products in the Netherlands with immediate effect and (ii) compensate the damages of the plaintiffs to be assessed by the court. The Directors believe the judgment to be incorrect and an appeal against the court's judgment had been lodged. For other litigations, the

Directors have been advised by the Group's legal counsel that the Group has sufficient grounds to defend against the claims. Therefore, no provision for any infringement compensation is considered necessary.

Save as disclosed above, there was no material contingent liability of the Group as at 30 June 2009.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2009, the Group had approximately 6,000 full time employees in Hong Kong and Mainland China. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited in the production capability and development of new biochemical products. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related commission.

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.

CORPORATE GOVERNANCE

The Company is committed to ensuring high standards of corporate governance in the interests of its equity holders and devotes considerable effort to identifying and formalising best practices. In the opinion of the Directors, the Company has complied throughout the Period with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules.

In compliance with the Code, the Company has set up the Audit Committee and a remuneration committee (the "Remuneration Committee") under the Board. The Board considers the determination of the appointment and removal of Directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Code to set up a nomination committee.

Audit Committee

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, internal controls and other important matters. The Audit Committee comprises three independent non-executive Directors. The chairman of the Audit Committee is Mr. Lee Yuen Kwong, who is a Certified Public Accountant and has been practicing since 1990. The other members of the Audit Committee are Mr. Chan Man Hon, Eric, who is a solicitor and has been practicing in Hong Kong for over 20 years and Mr. Li Defa, who is the Dean of College of Animal Science and Technology, China Agricultural University. The Audit Committee meets regularly with the senior management and the Company's external auditors to consider the Company's financial reporting process, the effectiveness of the internal controls, the audit process and risk management.

The interim results of the Group for the Period have not been audited, but have reviewed by the Company's external auditors, Ernst & Young, and the Audit Committee.

Remuneration Committee

During the Period, the members of the Remuneration Committee comprise two independent non-executive Directors, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric and one executive Director, Mr. Wang Tieguang. Mr. Chan Man Hon, Eric is the chairman of the Remuneration Committee. The duties of the Remuneration Committee, among others, are 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding the Directors' securities transactions on terms not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained 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. Based on specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code and the code of conduct, throughout the Period.

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.hkex.com.hk) and the Company (www.globalbiochem.com) and despatched to the shareholders of the Company in due course.

By order of the Board
Global Bio-chem Technology Group Company Limited
Liu Xiaoming **Xu Zhouwen**
Co-Chairman *Co-Chairman*

Hong Kong, 17 September 2009

As at the date of this announcement, the board of Directors comprises three executive Directors, namely Mr. Liu Xiaoming, Mr. Xu Zhouwen and Mr. Wang Tieguang, a non-executive Director, namely Mr. Patrick Earl Bowe (Mr. Steven C Wellington as his alternate) and three independent non-executive Directors, namely Mr. Lee Yuen Kwong, Mr. Chan Man Hon, Eric and Mr. Li Defa.

* *For identification purpose only*