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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 2010

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 2010 (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”).

* For identification purpose only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE			
Sales of goods	4	3,827,658	3,396,310
Cost of sales		<u>(3,203,047)</u>	<u>(3,038,450)</u>
Gross profit		624,611	357,860
Other income	4	50,345	30,042
Selling and distribution costs		(225,278)	(180,484)
Administrative expenses		(109,619)	(121,550)
Other expenses		(220)	(14,361)
Finance costs	5	(180,750)	(156,007)
Share of profits of jointly controlled entities		<u>545</u>	<u>2,839</u>
PROFIT/(LOSS) BEFORE TAX	6	159,634	(81,661)
Income tax expense	7	<u>(27,586)</u>	<u>(7,539)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>132,048</u>	<u>(89,200)</u>
OTHER COMPREHENSIVE LOSS			
Exchange difference on translation of financial statements of operations outside Hong Kong		<u>(253)</u>	<u>(2,021)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u><u>131,795</u></u>	<u><u>(91,221)</u></u>
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the Company		104,087	(90,532)
Minority interests		<u>27,961</u>	<u>1,332</u>
		<u><u>132,048</u></u>	<u><u>(89,200)</u></u>

		Six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
TOTAL COMPREHENSIVE INCOME/(LOSS)			
ATTRIBUTABLE TO:			
Owners of the Company		103,957	(92,919)
Minority interests		27,838	1,698
		<u>131,795</u>	<u>(91,221)</u>
EARNINGS/(LOSS) PER SHARE			
	8		
Basic		<u>HK4.5 cents</u>	<u>HK(3.9) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		9,167,973	9,110,180
Prepaid land premiums		621,225	537,555
Deposits paid for acquisition of property, plant and equipment		359,294	339,416
Goodwill		348,428	348,428
Interests in jointly controlled entities		95,010	94,465
Breeding biological assets		9,055	7,949
Deferred tax assets		16,945	16,516
Total non-current assets		10,617,930	10,454,509
CURRENT ASSETS			
Inventories		3,495,786	2,599,342
Trade and bills receivables	10	1,738,108	1,582,107
Prepayments, deposits and other receivables		994,716	745,876
Trading biological assets		8,135	1,219
Due from jointly controlled entities		18,174	704
Tax recoverable		11,294	8,429
Pledged deposits		—	23,596
Cash and cash equivalents		1,814,258	1,594,315
Total current assets		8,080,471	6,555,588
CURRENT LIABILITIES			
Trade payables	11	903,171	817,439
Other payables and accruals		784,552	1,113,574
Due to a director		61,666	89,368
Interest-bearing bank and other borrowings		4,664,245	4,474,005
Due to jointly controlled entities		—	101
Tax payable		37,717	54,219
Total current liabilities		6,451,351	6,548,706
NET CURRENT ASSETS		1,629,120	6,882
TOTAL ASSETS LESS CURRENT LIABILITIES		12,247,050	10,461,391
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		3,516,711	2,266,428
Deferred income		32,688	34,188
Deferred tax liabilities		122,112	122,112
Total non-current liabilities		3,671,511	2,422,728
Net assets		8,575,539	8,038,663
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	231,885	231,885
Reserves		7,395,692	7,249,993
		7,627,577	7,481,878
Minority interests		947,962	556,785
Total equity		8,575,539	8,038,663

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for Period were authorised for issue in accordance with a resolution of the Directors on 30 August 2010.

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, corn based biochemical products and biological products. There were no significant changes in the nature of the Group's principal activities during the Period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements 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 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 and other borrowings under current liabilities were loans of US\$75 million (equivalent to approximately HK\$581 million) which were originally due for repayment during 2010 to 2012. Pursuant to the loan facility agreement dated 15 December 2009, a termination event would arise if the Group could not meet any of the financial covenants as set out in the loan facility agreement. At the end of the reporting period, the Group was unable to comply with one of the required financial covenants. Accordingly, the whole balance of the loan amounting to approximately HK\$581 million has been classified as a current liability as at 30 June 2010. The Directors have taken actions to rectify the non-compliance by entering into a new loan facility agreement with the same bank of the same amount subsequent to 30 June 2010. This new loan facility dated 27 August 2010 would replace the aforesaid original loan facility. Taking into account of the existing loan facilities obtained by the Group, the Directors considered that the Group's inability to comply with such financial covenant of the loan will not result in any liquidity issue to the Group and the Group will have adequate working capital to finance its operations. Accordingly, these interim condensed consolidated financial statements have been prepared on a going concern basis.

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 these used in annual financial statements for the year ended 31 December 2009. The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment — Group Cash-settled Share — based Payment Transactions</i>

HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
Improvements to HKFRSs 2009	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HKFRS 2, HKFRS 5, HKFRS 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16

The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim condensed consolidated 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 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ¹

In addition, the HKICPA has also issued *Improvements to HKFRSs 2010* which sets out a collection of amendments to HKFRSs. Unless otherwise specified, the amendments contained in *Improvements to HKFRSs 2010* are effective for annual periods beginning on or after 1 January 2011, although the Group is permitted to adopt them earlier.

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

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. 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;
- (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; and
- (c) the biological products segment comprises the breed of cattle and sales of beef.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax.

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) Business unit information

	Corn refined products		Corn based biochemical products		Biological products		Eliminations		Consolidated	
					Six months ended 30 June					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	1,045,291	1,058,569	2,680,818	2,337,741	101,549	—	—	—	3,827,658	3,396,310
Intersegment sales	1,143,771	1,141,225	—	—	—	—	(1,143,771)	(1,141,225)	—	—
Total revenue	<u>2,189,062</u>	<u>2,199,794</u>	<u>2,680,818</u>	<u>2,337,741</u>	<u>101,549</u>	<u>—</u>	<u>(1,143,771)</u>	<u>(1,141,225)</u>	<u>3,827,658</u>	<u>3,396,310</u>
Segment results	<u>158,910</u>	<u>73,520</u>	<u>144,579</u>	<u>(17,695)</u>	<u>1,665</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>305,154</u>	<u>55,825</u>
Unallocated revenue									50,345	30,042
Unallocated expenses									(15,115)	(11,521)
Finance costs									<u>(180,750)</u>	<u>(156,007)</u>
Profit/(loss) before tax									159,634	(81,661)
Income tax expense									<u>(27,586)</u>	<u>(7,539)</u>
Profit/(loss) for the period									<u>132,048</u>	<u>(89,200)</u>

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
			Six months ended 30 June			
	2010	2009	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>2,828,779</u>	<u>2,870,435</u>	<u>998,879</u>	<u>525,875</u>	<u>3,827,658</u>	<u>3,396,310</u>

4. 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	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	1,160	1,318
Sales of scraps and raw materials	23,254	16,275
Exchange gains, net	3,386	252
Government grants*	19,758	9,914
Others	2,787	2,283
	<u>50,345</u>	<u>30,042</u>

* 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	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank and other borrowings:		
Wholly repayable within five years	205,045	179,138
Finance costs for discounted bills receivables	4,947	2,715
Less: Interest capitalised	(29,242)	(25,846)
	<u>180,750</u>	<u>156,007</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	<i>Note</i>	Six months ended 30 June	
		2010	2009
		(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Raw materials and consumables used		2,719,095	2,374,049
Provision for legal expenses		10,364	9,349
Depreciation		240,458	239,079
Amortisation of prepaid land premiums		9,084	11,085
Impairment/(reversal of impairment) of trade receivables	10	(19,879)	1,963
Write-down of inventories to net realisable value [#]		25,653	61,485
		<u>25,653</u>	<u>61,485</u>

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Current — Hong Kong	1,000	—
Current — Mainland China	27,015	7,539
Deferred	(429)	—
	<u>(27,586)</u>	<u>7,539</u>
Tax charge for the period	<u>(27,586)</u>	<u>7,539</u>

Hong Kong profits tax was provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

The statutory tax rate for all subsidiaries in Mainland China is 25% for the six months ended 30 June 2010 (2009: 25%).

Nine (2009: Eight) subsidiaries were subject to tax concessions in 2010. They were granted tax concessions by the state tax bureau in accordance with the Enterprise Income Tax Law of the People's Republic of China (the "EITL") and the corresponding transitional tax concession policy under which these subsidiaries would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

Five (2009: five) subsidiaries, which were granted Technologically Advanced Enterprise status and were entitled to a lower applicable tax rate under 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, shall be gradually transitioned to the new statutory tax rate within a period of five years. As a result, these subsidiaries, which enjoyed the corporate income tax rate of 15% in 2007, are now subject to the corporate income tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings/(loss) per share is based on the consolidated net profit from ordinary activities attributable to owners of the Company for the Period of approximately HK\$104,087,000 (2009 net loss: HK\$90,532,000) and 2,318,849,403 (2009: 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 2010 and 2009, no diluted earnings/(loss) per share amounts were presented for both periods.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Trade receivables	1,610,669	1,404,909
Bills receivables	157,142	234,033
	1,767,811	1,638,942
Impairment	(29,703)	(56,835)
Total	1,738,108	1,582,107

The Group normally allows credit terms of 90 days to established customers and credit terms of 180 days was allowed to some major customers with 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. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within 1 month	489,285	588,566
1 to 2 months	276,885	413,625
2 to 3 months	241,960	253,646
Over 3 months	759,681	383,105
Total	<u>1,767,811</u>	<u>1,638,942</u>

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

	2010 (Unaudited) HK\$'000	2009 (Audited) HK\$'000
At 1 January 2010/1 January 2009	56,835	15,542
Impairment losses recognised	1,792	41,293
Impairment losses reversed	(21,671)	—
Write-off	(7,253)	—
At 30 June 2010/31 December 2009	<u>29,703</u>	<u>56,835</u>

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Neither past due nor impaired	1,035,856	1,255,837
Less than 1 month past due	211,732	95,019
1 to 3 months past due	30,346	69,927
Over 3 months past due	489,877	218,159
Total	<u>1,767,811</u>	<u>1,638,942</u>

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. The Group does not hold any collateral or other credit enhancements over these balances.

11. 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 the end of the reporting period, based on the invoice date, is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within 1 month	398,107	317,550
1 to 2 months	139,210	166,860
2 to 3 months	118,326	88,429
Over 3 months	247,528	244,600
Total	903,171	817,439

12. SHARE CAPITAL

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

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2009: 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 2009: 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 based refined 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 chemical products.

BUSINESS ENVIRONMENT

With the recovery momentum carried from second half of 2009, the operating environment improves gradually. Demand and selling prices on various industries have been improving, and therefore, the Group's performance has turned around as compared with that of the first half of 2009, when the global market was in a tough condition. In addition, global market has stabilised and demand from overseas markets recovered along the Period.

During the Period, export of lysine to European countries has resumed normal. Export sales, thus increased, accounted for approximately 26% (2009: 15%) of the Group's total revenue. Meanwhile, the operating environment remained favorable in our principal market, Mainland China. Economic recovery in the PRC was drastic because of the success of governmental economy stimulation policies. Resulted from those policies on agriculture in recent years, farmers in Mainland China were motivated to breed and feed more, boosting the strong domestic demand of our key products, amino acid products.

Similar to all other agricultural products, price of corn increased rapidly during the Period due to increasing demand for further processing and as major raw material for feed manufacturing serving the increasing demand on food industries. Although the weather has been unstable during the Period, the foreseeable harvest is expected to be fine and would provide a stable supply of corn for the forthcoming period. Additionally, the PRC government has been imposing various strategies to stabilise the prices of agricultural products, such as the recent corn kernel auctions from the country's corn reserves in the second quarter of 2010, which is a price peak season. Nevertheless, the management expects the corn kernels price remains at a relatively high level. As usual, the strategy of maintaining reasonable stock level of corn kernels would be adopted to avoid fluctuation and possible future pressure on raw material cost.

The chemical industry as a whole has been recovered during the Period, consumption of various chemicals for downstream business resumed and together digested the build-up inventory from import in domestic market. In addition, the crude oil price was relatively stable during the Period which strengthened the operating environment of our polyol business. Therefore, it is expected that the improvement in the polyol segment will continue for the rest of the year 2010.

Nevertheless, the global economy might see further uncertainties or fluctuations arising from the adoption of contraction policies by European countries to reduce debts, and possible slowdown in recovery within the United States (“US”). The management expects further challenges for the rest of the year 2010 and is cautious on any changing environment.

FINANCIAL PERFORMANCE

(Revenue: HK\$3.8 billion (2009: HK\$3.4 billion))

(Gross profit: HK\$625 million (2009: HK\$358 million))

(Net profit: HK\$132 million (2009: net loss of HK\$89 million))

The enhanced financial performance was mainly due to the improvement of selling price of almost all products, which increased by in average, approximately 21% in comparing with the same period last year.

Upstream products segment

(Revenue: HK\$1.0 billion (2009: HK\$1.1 billion))

(Gross profit: HK\$83 million (2009: HK\$88 million))

During the Period, the average cost of corn kernels increased by approximately 15% to approximately HK\$1,666 (2009: HK\$1,444) per metric tonne while the average selling price of corn starch increased by approximately 35% to approximately HK\$2,644 (2009: HK\$1,964) per metric tonne, as compared to the same period last year. The revenue and gross profit decreased slightly mainly attributable to the reducing sales volume of upstream products due to the strong internal consumption demand from downstream business. The business model of upstream business is typically stable despite the fluctuation of cost of corn kernels and serves as a feedstock to the further downstream high value-added business.

Downstream products segment

(Revenue: HK\$2.7 billion (2009: HK\$2.3 billion))

(Gross profit: HK\$539 million (2009: HK\$270 million))

The revenue and gross profit of downstream products increased substantially by approximately 15% and 99% respectively during the first half of 2010, which was mainly attributable to the rise of selling prices of almost all of the downstream products. 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 as follows:

Product series	Changes of downstream product series for the Period				
	Sales Volume	Average Selling price	Average cost of good sold	Revenue	Gross profit
Amino acids	(19%)	20%	7%	(3%)	53%
Polyol chemicals	55%	35%	(3%)	109%	167%
Modified Starch	4%	18%	10%	23%	155%
Corn sweeteners	23%	23%	18%	52%	97%
Overall	1%	14%	3%	15%	99%

Among those downstream products series, the revenue and gross profit of amino acids for the Period amounted to approximately HK\$1.7 billion (2009: HK\$1.7 billion) and approximately HK\$401 million (2009: HK\$262 million) respectively, which accounted for approximately 44% (2009: 51%) and approximately 64% (2009: 73%) of the Group's total revenue and total gross profit respectively. Due to the restoration of stock level after the financial tsunami in late 2008, the sales volume of amino acids was exceptionally high in the first half of 2009. Although it dropped by approximately 19%, the sales volume during the Period of approximately 228,000 metric tonnes (2009: 280,000 metric tonnes) was in fact normal and close to our full capacity. In view of the sharp increase in the average selling price by approximately 20% in compared with the same period last year, the gross profit increased by approximately 53%.

The polyol chemicals division generated revenue of approximately HK\$347 million (2009: HK\$166 million) and contributed gross profit amounting to approximately HK\$30 million (2009: gross loss of HK\$45 million). Such improvement was mainly benefited from the rebound of market prices of chemical products and crude oil price since the last quarter of 2009, which drove the sharp increase in selling price of those related refined chemical products. However, an additional provision of closing inventories of polyol chemical by-products at 30 June 2010 amounting to approximately HK\$9 million (2009: HK\$61 million) was made for the sake of prudence. Nevertheless, provision for those by-products of polyol chemicals charging to the cost of good sold was substantially reduced due to the improvement in selling prices of polyol chemicals recently. As a result, the average cost

of good sold for polyol chemicals dropped by approximately 3%. In view of the stability of crude oil price and the image of green products, the Directors believe that our polyol chemicals division would operate profitably in foreseeable future.

The modified starch division has been resuming gradually since the second half of 2009. This division contributed a gross profit of HK\$10.7 million (2009: HK\$4.2 million) to the Group during the Period.

Due to the market recovery, the operating environment of sweeteners was rebounded dramatically in the first half of 2010. The demand and selling price of glucose and maltose picked up rapidly since the second half of 2009. The sales volume and revenue of sweeteners division increased by approximately 23% and approximately 52% respectively compared with the same period last year. As a result, the gross profit from this division rose to approximately HK\$97 million (2009: HK\$49 million) during the Period.

Biological products segment

Since 2009, Global Sweeteners Holdings Limited (“GSH”) (stock code: 03889), a Hong Kong listed company and an indirect non-wholly owned subsidiary of the Company, has started launching food related products for the strategy of product diversification through a joint venture of which GSH holds 62% equity interest indirectly. During the Period, the new business recorded a revenue and gross profit of approximately HK\$102 million (2009: Nil) and HK\$2.6 million (2009: Nil) respectively.

Product segment

The revenue and gross profit of upstream products accounted for approximately 27% (2009: 31%) and approximately 13% (2009: 24%) of the Group’s total revenue and total gross profit respectively. Although there was no significant change in revenue on product segments, the percentage of gross profit contributed by the upstream products dropped because of the limited improvement in selling price of upstream products other than corn starch.

Operating expenses, finance costs and income tax expense

The selling and distribution costs of approximately HK\$225 million (2009: HK\$180 million) increased by approximately HK\$45 million or 25% over the same period last year and represented approximately 5.9% (2009: 5.3%) over the Group’s revenue for the Period. The increase was mainly due to the enlarged export sales and the increased transportation costs as the petroleum price rose.

The administrative expenses of approximately HK\$110 million (2009: HK\$122 million) decreased by approximately HK\$12 million or approximately 10% over the same period last year and represented approximately 2.9% (2009: 3.6%) of the Group’s revenue for the Period. The administrative expenses decreased as the Group continued to impose stringent control over the costs.

Owing to the enlarged borrowing portfolio, the finance costs of approximately HK\$181 million (2009: HK\$156 million) increased by approximately 16% as compared to the same period last year. Interest capitalised as fixed assets amounting to approximately HK\$29 million was recorded (2009: HK\$26 million) for the Period. It is anticipated that the pressure from finance costs remains heavy for the rest of 2010.

With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC can still enjoy income tax relief. In view of the improvement in operation, income tax amounting to approximately HK\$28 million (2009: HK\$8 million) was charged for the Period. The overall effective tax rate of the Group drastically increased to approximately 17.3% (2009: 9.2%).

Profit shared by minority shareholders

During the Period, profit shared by the minority shareholders of GSH amounted to approximately HK\$28 million (2009: HK\$1 million). The sharp increase was mainly due to the rebound of performance of sweeteners division and dilution of the Company's equity interest in GSH from approximately 66.8% to approximately 52.2% as a result of the issue of new shares by GSH, and the sale of existing shares in GSH by a wholly owned subsidiary of the Company pursuant to the offering of Taiwan Depositary Receipts ("TDR") in Taiwan in March 2010.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support the strategy of maintaining higher stock level of corn kernels and working capital requirement for additional upstream capacity in Xinglongshan of Changchun which commenced operation during the Period, the net borrowings as at 30 June 2010 increased to approximately HK\$6.4 billion (31 December 2009: HK\$5.1 billion).

Structure of interest bearing borrowings

As at 30 June 2010, the Group's bank and other borrowings amounted to approximately HK\$8.2 billion (31 December 2009: HK\$6.7 billion), of which approximately 8% (31 December 2009: 11%) were denominated in Hong Kong dollars or US dollars while the remainder were denominated in Renminbi ("RMB"). The average interest rate during the Period was approximately 5.6% (2009: 5.7%).

The percentage of interest bearing borrowings wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 57% (31 December 2009: 66%) and approximately 31% (31 December 2009: 34%) and approximately 12% (31 December 2009: less than 1%) respectively. The change is mainly due to the renewal of certain bank loans of which 2-year or longer repayment terms were granted. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected. As at 30 June 2010, certain borrowings were secured by the Group's fixed assets with a carrying value/aggregate net book value of approximately HK\$20 million (31 December 2009: HK\$20 million).

Non-compliance of financial covenants

As at 30 June 2010, certain bank loans originally repayable during 2010 to 2012 with an aggregate amount of US\$75 million (equivalent to HK\$581 million) were classified as current liabilities due to the Group's failure to comply with one of the financial covenants under the relevant loan facility agreement therefor. According to the renewed loan agreements and revised covenants concluded subsequent to 30 June 2010, the Directors believe that the Group is able to comply with those financial covenants thereafter.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to establish customers ranging from 30 to 90 days. Due to the global financial tsunami in 2009, more favourable credit terms were granted to customers for inducing addition sales as one of the strategies. Therefore, the strategy continues in first half of 2010 and considering the new capacity output from Xinglongshan project, the turnover days of trade receivables remained at a relatively high level increased to approximately 82 days (31 December 2009: 74 days) for the Period. Meanwhile, the turnover days of trade payables increased to approximately 51 days (31 December 2009: 44 days) which is in line with the seasonal pattern of raw material acquisition. On the other hand, due to the additional purchases of corn kernels to prevent the anticipated upwards costs trend of corn kernels in 2010, the stock level of raw material as at 30 June 2010 became relatively high in which the inventory turnover days increased to approximately 198 days (31 December 2009: 140 days).

Due to the renewal of certain bank loans of which 2-year or longer repayment terms were granted, aggregate amount of bank loans classified as current liabilities reduced. The current ratio thus improved slightly to approximately 1.3 (31 December 2009: 1.0). However, the quick ratio did not improve in line with current ratio because of the increase in stock level. At 30 June 2010, the quick ratio slightly improved to 0.7 (31 December 2009: 0.6). The gearing ratio in term of net debts (i.e. net balance between bank and other borrowings and cash and cash equivalent) to total equity (aggregate total of shareholders equity and minority interest) deteriorated to 74% (31 December 2009: 64%) mainly due to the increase of bank and other borrowings during the Period. Moreover, gearing ratios in terms of (i) bank and other borrowings to total assets and (ii) bank and other borrowings to total equity and increased to approximately 44% (31 December 2009: 40%) and 95% (31 December 2009: 84%), respectively. In view of the continual support from existing bankers, the Group can obtain continuous financing resource for its operation.

Foreign exchange exposure

Although most of the operations were carried out in the PRC 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 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 2010.

TAIWAN DEPOSITARY RECEIPTS OF GSH

On 25 March 2010, 100 million units of TDR, which represented 100 million new shares of GSH allotted and issued by GSH and 100 million existing shares of GSH transferred by a wholly owned subsidiary of the Company were offered by them for subscription and purchase in Taiwan and were listed on the Taiwan Stock Exchange (the “TDR Issue”). The net proceeds raised by the Group, including GSH, in respect of the TDR Issue amounted to approximately HK\$367 million. Upon completion of the TDR Issue, the Company’s indirect interest in GSH reduced from approximately 66.8% to approximately 52.2%. The TDR Issue constituted a disposal and deemed disposal of interest in GSH for the Company under Chapter 14 of the Listing Rules.

RIGHTS ISSUE

In July 2010, the Company raised approximately HK\$676 million, net of expenses, by way of rights issue of 927,539,761 rights shares at HK\$0.75 per rights share on the basis of two rights shares for every five existing shares. The net proceeds will be used for the repayment of existing bank borrowings and as general working capital of the Group.

PROSPECT

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 diversity 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.

The Group will continue to take advantage from the market recovery in the coming year. Export sales are expected to remain strong and will persist in seeking potential opportunities in the overseas market. In view of the domestic market, the revitalisation of the Mainland China market contributed to the sales of the year and is expected to continue to grow stable in the rest of the year.

Polyol 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 polyol 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 Group is the pioneer to make use of renewable resources as the raw material for the commercial production of the polyol chemicals, the Board believes that the polyol business segment will continue to act as the one of the growth drivers in the company business. Early this year, the Group developed potential markets for Resin. Resin is unique product in the series of the polyol chemical. Our research findings proved that Resin can be applied in products such as rubbers in pipes and tires. In addition, other products such as ethylene glycol and propylene glycol sales volume restored back to the normal level this year. The utilisation rate of polyol production will continue to improve according to the market recovery and efforts in exploring new markets. Going forward, the Board will take prudent strategy in the market condition before taking any expansion plan in the development of the polyol chemicals.

Amino Acids

The annual planned production capacity of the Group of amino acids is approximately 460,000 metric tonnes and these facilities can produce different kinds of amino acids or fermentation products such as lysine, protein lysine and threonine. Driven by the enormous demand from the market, the Group expects to fully utilise its facilities. The Board is also further extending its amino acids product series through fermentation of new high value-added amino acids products such as arginine and methionine.

It is anticipated that the demand of the lysine will continue to grow in coming years. To maintain its dominant position in the market, the Group will increase production volume in long run by extending production yields and efficiency and furthermore expand its production capacity accordingly.

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 2010.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2010, the Group had approximately 6,000 full time employees in Hong Kong and the PRC. 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.

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 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 of 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.

The Company has adopted 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. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the Period.

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 and internal controls. 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 is 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 the College of Animal Science and Technology, China Agricultural University.

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 interim results of the Group for the Period have not been audited, but have been reviewed by the Company's external auditors, Ernst & Young, and 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.hkex.com.hk) and the Company (www.globalbiochem.com) in due course.

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

Liu Xiaoming

Co-Chairman

Xu Zhouwen

Co-Chairman

Hong Kong, 30 August 2010

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

Executive Directors: Mr Liu Xiaoming, Mr Xu Zhouwen and Mr Wang Tieguang

Non-executive Director: Mr Patrick E Bowe (Mr Steven C Wellington as his alternate)

Independent non-executive Directors: Mr Chan Man Hon, Eric, Mr Lee Yuen Kwong and Mr Li Defa