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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 2012

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 2012 (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 ("Audit Committee").

* *For identification purpose only*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 (Unaudited) *HK$'000***	Six months ended 30 June 2011 (Unaudited) *HK$'000*
REVENUE			
Sales of goods	*4*	**6,048,715**	6,765,253
Cost of sales		**(5,201,440)**	(5,154,025)
Gross profit		**847,275**	1,611,228
Other income	*4*	**56,886**	39,163
Selling and distribution costs		**(330,394)**	(342,935)
Administrative expenses		**(185,332)**	(177,365)
Other expenses		**(207,782)**	(42,367)
Finance costs	*5*	**(296,415)**	(235,615)
Share of profits/(losses) of jointly-controlled entities		**(1,324)**	399
Share of losses of associates		**(2,074)**	—
PROFIT/(LOSS) BEFORE TAX	*6*	**(119,160)**	852,508
Income tax expense	*7*	**(20,586)**	(175,413)
PROFIT/(LOSS) FOR THE PERIOD		**(139,746)**	677,095
OTHER COMPREHENSIVE INCOME			
Exchange difference on translation of financial statements of operations outside Hong Kong		**—**	321,316
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(139,746)**	998,411
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(98,567)**	626,504
Non-controlling interests		**(41,179)**	50,591
		(139,746)	677,095

	Note	Six months ended 30 June 2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(98,567)**	922,748
Non-controlling interests		**(41,179)**	75,663
		(139,746)	998,411
EARNINGS/(LOSSES) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
— Basic	*8*	**HK(3.02) cents**	HK19.3 cents
— Diluted	*8*	**HK(3.02) cents**	HK19.3 cents

Details of the dividends proposed for the period are disclosed in note 9 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**12,258,393**	11,638,571
Prepaid land lease payments		**671,007**	662,156
Deposits paid for acquisition of items of property, plant and equipment and prepaid land lease payments		**443,359**	323,384
Goodwill		**348,428**	348,428
Intangible assets		**36,177**	37,798
Deferred tax assets		**70,888**	31,079
Breeding biological assets		**9,463**	9,007
Investments in jointly-controlled entities		**—**	99,087
Investments in associates		**93,139**	95,213
Prepayments, deposits and other receivables		**7,825**	8,435
Total non-current assets		**13,938,679**	13,253,158
CURRENT ASSETS			
Inventories		**4,637,648**	4,666,897
Trade and bills receivables	*10*	**2,150,490**	2,517,641
Prepayments, deposits and other receivables		**1,500,956**	1,050,395
Trading biological assets		**1,412**	1,573
Due from jointly-controlled entities		**—**	970
Due from associates		**5,511**	1,493
Equity investments at fair value through profit or loss		**33,679**	33,270
Tax recoverable		**12,918**	3,165
Pledged deposits		**—**	1,971
Cash and cash equivalents		**2,079,018**	2,220,195
Total current assets		**10,421,632**	10,497,570
CURRENT LIABILITIES			
Trade and bills payables	*11*	**1,473,840**	1,228,211
Other payables and accruals		**821,630**	753,300
Interest-bearing bank loans and other borrowings		**4,238,795**	5,789,314
Guaranteed bonds		**534,977**	—
Tax payable		**107,415**	206,907
Total current liabilities		**7,176,657**	7,977,732
NET CURRENT ASSETS		**3,244,975**	2,519,838
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,183,654**	15,772,996

	Notes	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**4,397,818**	2,309,529
Guaranteed bonds		**—**	527,683
Put option		**817,762**	769,480
Derivative financial instruments		**14,860**	8,969
Deferred tax liabilities		**264,144**	258,518
Deferred income		**34,489**	36,277
Total non-current liabilities		**5,529,073**	3,910,456
Net assets		**11,654,581**	11,862,540
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*12*	**326,349**	326,199
Reserves		**9,682,248**	9,791,684
Proposed final dividend	*9*	**—**	65,240
		10,008,597	10,183,123
Non-controlling interests		**1,645,984**	1,679,417
Total equity		**11,654,581**	11,862,540

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the board of directors of the Company on 31 August 2012.

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, P.O. 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 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 for the six months ended 30 June 2012 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 and the 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 as at 31 December 2011.

In 2011, the Company issued 7% due 2014 guaranteed bonds (the "Bonds") with a face value of RMB450 million which are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). On 30 June 2012, the Bonds were stated at fair value of HK$535 million. Pursuant to the terms and conditions of the Bonds, if an event of default occurs, including the failure by the Group to comply with the required financial covenants, an early redemption at the principal amount together with accrued interest could be required if it is requested by the trustee or bondholders who hold at least 25% of the aggregate principal amount of the outstanding Bonds or if so directed by a resolution passed by a majority of not less than three quarters of the votes cast at a bondholders' meeting. At the end of the reporting period, the Group was unable to comply with one of these financial covenants. Accordingly, the whole balance of the fair value of the Bonds amounting to HK$535 million was classified as a current liability as at 30 June 2012. The directors have been taking action to rectify the non-compliance. The directors considered that the Group's inability to comply with the covenant will not result in any liquidity issue to the Group and the Group will have adequate working capital to redeem the Bonds without affecting its operations.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new standards and interpretations as of 1 January 2012, noted below:

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

The Group has not early adopted the following standards, interpretations or amendments that have been issued but are not yet effective.

HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements Project	*Annual Improvements 2009-2011 Cycle*[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[2]

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

The 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 and has three reportable operating 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 breeding of cattle and sales of beef.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources 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 except that interest income, finance costs, government grants and corporate expenses are excluded from this measurement.

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

	Corn refined products		Corn-based biochemical products		Biological products		Eliminations		Consolidated	
	Six months ended 30 June									
	2012 (Unaudited) *HK$'000*	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*	**2012 (Unaudited) *HK$'000***	2011 (Unaudited) *HK$'000*
Revenue:										
External customer	**1,572,370**	1,782,586	**4,473,238**	4,916,477	**3,107**	66,190	**—**	—	**6,048,715**	6,765,253
Intersegment	**410,737**	1,137,515	**—**	—	**—**	—	**(410,737)**	(1,137,515)	**—**	—
Total revenue	**1,983,107**	2,920,101	**4,473,238**	4,916,477	**3,107**	66,190	**(410,737)**	(1,137,515)	**6,048,715**	6,765,253
Segment results	**(148,656)**	193,811	**397,553**	893,371	**(75,286)**	3,626	**—**	—	**173,611**	1,090,808
Unallocated revenue									**56,886**	38,781
Unallocated expenses									**(53,242)**	(41,466)
Finance costs									**(296,415)**	(235,615)
Profit/(loss) before tax									**(119,160)**	852,508
Income tax expense									**(20,586)**	(175,413)
Profit/(loss) for the period									**(139,746)**	677,095

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
	Six months ended 30 June					
	2012	2011	**2012**	2011	**2012**	2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue:						
External customers	**4,503,374**	5,401,573	**1,545,341**	1,363,680	**6,048,715**	6,765,253

4. REVENUE AND OTHER INCOME AND GAIN

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 and gain is as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income		
Bank interest income	**2,764**	2,228
Sales of scrap and raw materials	**22,674**	31,675
Government grants*	**4,815**	4,127
Others	**2,282**	1,133
	32,535	39,163
Gain		
Exchange differences reclassified from reserves when the jointly-controlled entities became subsidiaries	**12,582**	—
Fair value loss of investments in jointly-controlled entities	**(1,710)**	—
Gain on bargain purchase	**13,479**	—
	56,886	39,163

* 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans	**291,006**	260,365
Finance costs for discounted bills receivable	**9,830**	10,351
Interest on guaranteed bonds	**23,545**	4,688
Interest on put option	**48,282**	9,739
Less: Interest capitalised	**(76,248)**	(49,528)
	296,415	235,615

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Raw materials and consumables used	**3,812,254**	4,011,885
Provision for legal expenses	**5,998**	8,207
Depreciation	**305,473**	283,650
Amortisation of prepaid land premiums and intangible assets	**12,993**	11,921
Fair value loss on derivative financial instruments	**5,891**	—
Fair value gain on equity investments at fair value through profit or loss	**(749)**	—
Fair value loss on guaranteed bonds	**7,294**	—
Fair value loss of investments in jointly-controlled entities	**1,710**	—
Impairment of trade receivables and prepayments, deposits and other receivables	**179,427**	29,552
Impairment of inventories to net realisable value #	**76,950**	25,163

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**—**	(4,000)
Current — Mainland China:		
Income tax	**54,769**	162,895
Withholding tax	**—**	12,438
Deferred	**(34,183)**	4,080
Tax charge for the period	**20,586**	175,413

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period. In the prior period, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

The statutory tax rate for all subsidiaries in Mainland China is 25% for the six months ended 30 June 2012 (2011: 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 2013. It enjoys a preferential income tax rate of 15% from 1 Jaunary 2010 onwards.

One (2011: five) subsidiary was subject to tax concessions in 2012. It was 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 the subsidiary 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.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,262,246,070 (six months ended 30 June 2011: 3,247,465,407) in issue during the period.

No adjustment has been made to the basic loss per share amounts for the period ended 30 June 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the diluted earnings per share amount for the period ended 30 June 2011 was based on the profit attributable to owners of the parent of approximately HK$626,504,000 and weighted average number of ordinary shares of 3,247,465,407 in issue during the period, as used in the basic earnings per share calculation, plus the weighted average of 3,452,366 ordinary shares assumed to be issued at no consideration on the deemed exercise of the share options during the period.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: HK1.5 cent per share).

10. TRADE AND BILLS RECEIVABLES

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	HK$'000	*HK$'000*
Trade receivables	**1,951,863**	2,083,299
Bills receivable	**433,548**	489,836
	2,385,411	2,573,135
Impairment	**(234,921)**	(55,494)
Total	**2,150,490**	2,517,641

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. 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 and net of provision, is as follows:

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**673,540**	867,539
1 to 2 months	**322,551**	439,410
2 to 3 months	**179,787**	185,654
3 to 6 months	**499,035**	709,288
Over 6 months	**475,577**	315,750
Total	**2,150,490**	2,517,641

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

	2012 (Unaudited) *HK$'000*	2011 (Audited) *HK$'000*
At 1 January	**55,494**	33,811
Impairment losses recognised	**185,806**	36,213
Impairment losses reversed	**(6,379)**	(12,173)
Write-off	**—**	(2,439)
Exchange realignment	**—**	82
At 30 June 2012/31 December 2011	**234,921**	55,494

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

	30 June 2012 (Unaudited) *HK$'000*	31 December 2011 (Audited) *HK$'000*
Neither past due nor impaired	**1,175,878**	1,492,603
Less than 1 month past due	**205,372**	487,821
1 to 3 months past due	**293,663**	479,807
Over 3 months past due	**475,577**	57,410
Total	**2,150,490**	2,517,641

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.

One (31 December 2011: two) subsidiary has pledged trade receivables of approximately HK$27,687,000 (31 December 2011: HK$116,632,000) to secure bank loans.

11. TRADE AND BILLS 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 and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	HK$'000	*HK$'000*
Within 1 month	**867,225**	928,554
1 to 2 months	**297,059**	96,238
2 to 3 months	**78,793**	44,090
Over 3 months	**230,763**	159,329
Total	**1,473,840**	1,228,211

12. ISSUED CAPITAL

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

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (31 December 2011: 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 2011: 3,261,989,164) ordinary shares of HK$0.10 each	**326,349**	326,199

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

As the European debt crisis continued to aggravate and ravage European countries affecting the global economy, concerns for slowing economic growth in the People Republic of China (the "PRC") began to grow. In the first half of 2012, although the PRC Government adhered to its target of maintaining steady growth which had the effect of alleviating the impacts arising from the external complicated economic situation, the overall decline in economic growth has impacted domestic consumption.

Similar to all other agricultural products, price of corn increased steadily during the Period. Such increase was due to strong demand for further processing and feed manufacturing in light of the increasing food demand. Due to the speculation that a sharp decline in corn production in the United States (the "U.S.") is expected, coupled with the possibility of domestic corn pests affecting the yield, the corn price is likely to rise further during the second half of 2012. Despite the PRC government has been imposing various strategies in stabilising the prices of agricultural products, such as restricting entry into the corn processing industry and weeding out smaller corn processors, the management expects the corn kernels price to remain stable at a relatively high level for a continuing period. The strategy of maintaining reasonable stock level of corn kernels would continue to be adopted to avoid fluctuation and possible future pressure on raw material cost.

The crude oil price was pushed up to over US$110 a barrel in the first quarter of 2012 by the Iran issue and the rebound of the U.S. economy. The gradual dilution of such protests, along with the European debt crisis, increase of the U.S. crude oil inventories and slowed down of the economies in the U.S. and PRC caused the crude oil prices dropped to around US$80 a barrel in the second quarter of 2012. Overall, the decrease in consumption of various chemicals for downstream business and the relatively low crude oil price weakened the operating environment of our polyol business during the first half of 2012. Recently, owing to the outbreak of protests in Syria and increased demand of crude oil in the U.S., the crude oil price has rebounded to over US$95 a barrel recently. The relative high level of crude oil price in the second half of 2012 is likely to strengthen the operating environment of our polyol chemicals business. Recoveries and improvements in the polyol chemicals segment will be expected for the rest of 2012.

FINANCIAL PERFORMANCE

(Revenue: HK$6 billion (2011: HK$6.8 billion))
(Gross profit: HK$847 million (2011: HK$1,611 million))
(Net loss: HK$140 million (2011: Net profit HK$677 million))

The decline financial performance was mainly due to (i) the net loss recorded by the Group during the month of June 2012 due to loss incurred from upstream business of the Group pressured by increasing raw material costs and the slip of selling prices of lysine products; (ii) the impairment loss made by the Group for polyol chemicals due to the decrease of selling prices; (iii) the provision made by the Group for bad and doubtful debt in relation to the Group's trade receivables which have been long due; and (iv) the provision made by a non-wholly owned subsidiary of the Company during the Period in relation to its retail beef business.

Upstream products segment

(Revenue: HK$1.6 billion (2011: HK$1.8 billion))
(Gross loss: HK$82 million (2011: Gross profit HK$100 million))

During the Period, the average cost of corn kernels increased by approximately 12% to approximately HK$2,257 (2011: HK$2,024) per metric tonne while the average selling price of corn starch decreased by approximately 1% to approximately HK$3,313 (2011: HK$3,330) per metric tonne, as compared to the same period last year.

Together with the decrease of approximately 14% in sales volume of all upstream products, the revenue and gross profit decreased approximately 12% and 182% respectively. The gross loss margin was approximately 5% (2011: Gross profit margin 6%) due to the gross profit contributed by corn starch decreased significantly by approximately HK$199 million to approximately HK$48 million (2011: HK$247 million) from the same period last year and the exacerbate loss incurred of approximately HK$130 million (2011: HK$147 million) by the upstream by-products during the Period. Although the average selling price for those upstream products had increased by approximately 3%, such increase could not offset the increased margin of the costs of corn kernels and other related direct costs. The business model of upstream business is typically stable despite the fluctuation of cost of corn kernels and the corn starch mainly serves as a feedstock to the further downstream high value-added business.

Downstream products segment

(Revenue: HK$4.5 billion (2011: HK$4.9 billion))
(Gross profit: HK$945 million (2011: HK$1,506 million))

The revenue and gross profit of downstream products decreased substantially by approximately 9% and 37% respectively during the first half of 2012, which were mainly attributable to the retreat in the sale volume and the sharp rise of the average cost of goods sold 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:

	Changes of downstream product series for the Period				
Product series	**Sales volume**	**Average selling price**	**Average cost of goods sold**	**Revenue**	**Gross profit**
Amino acids	(1%)	(2%)	11%	(4%)	(27%)
Polyol chemicals	(64%)	(7%)	65%	(67%)	(184%)
Modified starch	25%	5%	19%	32%	(47%)
Corn sweeteners	0%	2%	9%	1%	(26%)
Overall	(6%)	(3%)	10%	(9%)	(37%)

Among those downstream products series, the revenue and gross profit of amino acids for the Period amounted to approximately HK$3.2 billion (2011: HK$3.3 billion) and approximately HK$881 million (2011: HK$1,198 million) respectively, which accounted for approximately 53% (2011: 49%) and approximately 104% (2011: 74%) of the Group's total revenue and total gross profit respectively. Although the decreases in the average selling price and the sales volume of amino acids was only approximately 2% and 1% respectively, the gross profit decreased by approximately 27% mainly due to the rises of raw materials costs in compared with the same period last year.

The average selling price of modified starch division was improved gradually by approximately 5% in compared with the same period last year owing to the recovery of the price of paper. However, the contribution of gross profit to the Group from this division was decreased to approximately HK$12 million (2011: HK$23 million) during the Period.

The polyol chemicals division generated revenue of approximately HK$184 million (2011: HK$556 million) and contributed gross loss amounting to approximately HK$84 million (2011: Gross profit HK$100 million). Such decline was mainly due to the relocation of polyol factory that occurred since September 2011, the sales volume decreased by approximately 64% to approximately 22,000 metric tonnes (2011: 62,000 metric tonnes). Besides, the drop of market prices of chemical products and crude oil price since the second quarter of 2012, which drove down the selling price of those related reined chemical products. The average selling price of the polyol chemicals decreased by 7% as compared to that of the corresponding period last year. Moreover, an additional provision of closing inventories of polyol chemical by-products amounted to approximately HK$58 million at 30 June 2012 (2011: Nil) was made. As a result, this division recorded a gross loss margin of approximately 46% (2011: Gross profit margin 18%) during the Period. The management expects the production of polyol chemicals will be resumed in the last quarter of 2012. In view of the enhancement in the products output and quality, the stability of crude oil price and the image of green products, the Directors believe that our polyol chemicals division would operate steadily and profitably after the resumption.

The operating environment of corn sweeteners was stable during the Period. The sales volume remained at similar level and revenue of sweeteners division increased by approximately 1% as compared with the corresponding period last year. However, the gross profit from this division dropped to approximately HK$135 million (2011: HK$184 million) during the Period which was mainly due to the increase of raw material costs.

Export Sales

The Group generated revenue of approximately HK$1,545 million (2011: HK$1,364 million) from export sales representing an increase of HK$181 million or 13% as compared to the same period of last year and it accounted for approximately 26% (2011: 20%) of the Group's total revenue. The significant change was due to the success of vigorous expansion of European market accompanied with the slowdown of PRC domestic sales.

Biological products segment

As the non-wholly owned subsidiary of the Company which operates this business segment has decided to slow down its retail beef business, this segment has recorded a revenue and gross loss of approximately HK$3 million (2011: HK$66 million) and HK$15 million (2011: gross profit of HK$5 million) respectively.

Product segment

The revenue and gross loss of upstream products accounted for approximately 26% (2011: 26%) and approximately 10% (2011: Gross profit 6%) 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 rise in raw materials costs.

Operating expenses, finance costs and income tax expense

Due to the decrease of approximately 10% in sales volume of the Group, the selling and distribution costs amounted to approximately HK$330 million (2011: HK$343 million), representing a decrease of approximately 4% over the same period last year. Nevertheless, the ratio of such operating expenses over the Group's revenue increased slightly to approximately 5.5% (2011: 5%) as the sales amount of the Group decreased by approximately 11% over the corresponding period last year.

The administrative expenses of approximately HK$185 million (2011: HK$177 million) increased by approximately 4% over the corresponding period last year. Nevertheless, the ratio of such administrative expenses to turnover remained at similar level, due to the Group's continual effort in imposing stringent controls over such expenses.

The other operating expenses for the Period amounted to approximately HK$208 million (2011: HK$42 million) mainly comprising of legal expenses of approximately HK$6 million (2011: HK$8 million) for the infringement litigation in Europe; the research and development expenses of approximately HK$9 million (2011: HK$7 million), fair value losses of approximately HK$7 million and approximately HK$6 million (2011: Nil and Nil) for the appreciation of market value of the Bonds and the USD/CNY Currency SWAP respectively, and the provision on bad and doubtful debts on trade receivables of approximately HK$179 million (2011: HK$27 million) for the sake of prudence.

Owing to the enlarged borrowing portfolio, the rise of interest rate and a notional interest of HK$48 million included for the put option granted to an investor as announced by the Company in May 2011, the finance costs of approximately HK$296 million (2011: HK$236 million) increased by approximately 26% as compared to the corresponding period last year. In view of the operation, the ratio of finance costs to revenue increased to approximately 5% (2011: 3%). However, it is anticipated that the heavy pressure from finance costs will remain during the rest of 2012.

One of the Group's subsidiaries which is in Changchun was approved as an advanced and new technology enterprise by the Jilin Government enjoying a preferential income tax rate of 15% till the year 2013. In view of the weak operating performance, income tax amounting to approximately HK$21 million (2011: HK$175 million) was charged for the Period representing a decrease of approximately 88% over the same period last year.

Profit shared by non-controlling shareholders

During the Period, Global Sweeteners Holdings Limited ("GSH") recorded a loss of approximately HK$111 million (2011: Profit of HK$104 million) in which gave rise to the loss shared by the non-controlling shareholders of GSH amounted to approximately HK$40 million (2011: Profit of HK$51 million).

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support the strategy of maintaining high stock level of corn kernels and to meet the capital expenditure on project expansion in Xinglongshan of Changchun, the total borrowings as at 30 June 2012 increased to approximately HK$9.2 billion (31 December 2011: HK$8.6 billion). The net borrowings increased to approximately HK$7.1 billion (31 December 2011: HK$6.4 billion). Cash and cash in equivalents decreased approximately HK$141 million to approximately HK$2.1 billion (31 December 2011: HK$2.2 billion) in compared with the cash level as at 31 December 2011.

Structure of interest bearing borrowings

As at 30 June 2012, the Group's bank and other borrowings amounted to approximately HK$9.2 billion (31 December 2011: HK$8.6 billion), of which approximately 4% (31 December 2011: 4%) were denominated in Hong Kong dollars or US dollars while the remainder of approximately 96% were denominated in Renminbi ("RMB"). The average interest rate during the Period was approximately 7.1% (2011: 6.6%).

The percentage of interest bearing borrowing wholly repayable within one year, in the second to the fifth years and beyond five years were approximately 53% (31 December 2011: 66%), approximately 21% (31 December 2011: 11%) and approximately 26% (31 December 2011: 23%) respectively. The changes were mainly due to the renewal of certain bank loans with 2-year or more repayment terms and an addition of a RMB416 million loan with 10-year repayment terms was granted especially for Xinglongshan project during the Period. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging from 30 to 90 days. During the Period, trade receivables turnover days remained at similar level of approximately 65 days (31 December 2011: 64 days) due to credit controls remained by the Group. Meanwhile, the trade creditors turnover days increased to approximately 52 days (31 December 2011: 40 days) because the velocity of the payment to account payables has been decreased during the Period. On the other hand, the drop of sales volume of the Group drove the inventory turnover slower and as a result, the inventory turnover days slightly increased to approximately 162 days (31 December 2011: 154 days). To avoid fluctuation and uncertain future pressure on corn kernels and other raw material costs, the Group retained the stock level at approximately HK$4.6 billion (31 December 2011: HK$4.7 billion) during the Period.

Despite the decrease of short term interest bearing borrowings of approximately HK$1 billion when compared to the position as at 31 December 2011, the current ratio and the quick ratio improved slightly to approximately 1.5 (31 December 2011: 1.3) and 0.8 (31 December 2011: 0.7) respectively. Such is due to the positive effect of decrease in short term borrowings being offset by the decrease of operating cash flow. Moreover, due to the decrease in cash and cash equivalent and the increase of interest bearing bank loans 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 increased to approximately 61% (31 December 2011: 54%) and to approximately 71% (31 December 2011: 63%) 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 slightly increased to approximately 38% (31 December 2011: 36%) and 79% (31 December 2011: 73%) respectively. In view of the continual support from existing bankers, the Group believes continuous financing resource for its operation can be obtained.

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 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 purpose of hedging the exchange risk of the RMB450,000,000 guaranteed bonds due 2014 (the "Bonds") issued in May 2011. Under the SWAP, the Group will be liable to pay HSBC 8.6% interest on the principal of US$69,875,776.40 semi-annually up to 16 May 2014 which completely matched with the liabilities under the Bonds. The Directors believe the exchange risk of USD/RMB will be avoided by entering into the SWAP. 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 2012.

BREACH OF FINANCIAL COVENANT

Under the terms and conditions of the Bonds, the Company is required to comply with certain financial covenants, failure of which would constitute an event of default. As a result of the consolidated net loss recorded by the Company during the six months ended 30 June 2012, the Company was not able to comply with one of these financial covenants. Consequently, HSBC, which is the trustee to the bondholders, may and, if requested by bondholders of at least 25% of the aggregate principal amount of the outstanding Bonds or if so directed by a resolution passed by a majority of not less than three quarters of the votes cast at a bondholders' meeting, give written notice to the Company declaring the Bonds to be immediately due and payable.

As of 30 June 2012, the outstanding principal amount of the Bonds amounted to RMB450 million. At all times, the Company has duly paid all the interests payable thereunder in accordance with the terms and conditions of the Bonds.

As at the date of this announcement, no notice of acceleration for repayment has been received by the Company from the trustee. If a notice of acceleration for repayment is received, such acceleration may trigger cross-default provision under certain banking facilities ("Banking Facilities") of the Company provided by a bank in Hong Kong, whereupon the bank may by notice demand for immediate repayment thereof. The outstanding principal amount of the Banking Facilities amounted to approximately HK$71 million and HK$123 million as at the date of this announcement and as of 30 June 2012 respectively.

The Company will apply for a waiver from the trustee for the breach of the financial covenant and, if necessary, take other alternative remedial actions to remedy the default. However, in the event that the Company is required to redeem all of the outstanding Bonds immediately, the financial position of the Group remains strong and the Group has sufficient cash to do so, and to repay the outstanding indebtedness under the Banking Facilities if the cross-default provision is triggered.

Accordingly, the Directors consider that the breach of the financial covenant will not have a material adverse effect on the results of operations or financial condition of the Group, other than the accounting re-classification of the fair value of the Bonds amounted to approximately HK$535 million as a current liability of the Group as at 30 June 2012.

PASS AWAY OF MR. XU ZHOUWEN

As announced by the Company on 20 August 2012, Mr. Xu Zhouwen ("Mr. Xu"), one of the co-Chairmen and an executive director of the Company during the period under review, passed away on 20 August 2012. The Board considered that the decease of the late Mr. Xu will not have a material impact on the present operations of the Group.

PROSPECT

The global economy shall remain weak, but it is expected government policies will help to stabilise economic growth in the PRC in the second half of 2012. With a slow recovery in the global market, the impacts on most commodities and consumer markets remain challenging in the PRC. Nevertheless, although prices of food and necessities products have decreased, demands of such products remain strong in these segments. The Group shall adopt cautious strategies for achieving a healthy operating momentum.

From market experience, market sentiment will return to positive and encouraging conditions for the Group if there is an increasing demand in most major downstream products. It is therefore expected that the sales volume and average selling prices will continue to improve in the near future at a steady pace.

The Group shall continue to strive to maintain the market share and its leadership position through diversification of its product portfolio, forming strategic alliance with prominent market players and strengthening its research and development capabilities with respect to operations, raw materials and new product developments.

The harvest of corn, the major raw material for the Group, is expected to experience an upscale in production volume in the PRC. Unfortunately, the drought and speculating conditions might lead to a high corn price in general. The general corn refinery industry is likely to encounter heavy pressures on corn refined products' margin and a loss making status. However, the continuous growing demand in food products would improve the average selling prices of corn refined products' and the upstream business shall ease out from the harsh condition although it is only an intermediate process in supplying starch for downstream business production. The Group will utilise its storage facilities to minimise the impacts of raw material costs fluctuations.

Notwithstanding an increasing market supply of the lysine products, the demand in such products shall remain strong. The Group has continued to strengthen the production know-how, enhance productivity efficiency by improving production technologies and cost control strategies such as in-house supply of ammonia for fermentation process. In the second half of 2012, both market prices and demands are expected to improve in light of the approaching industry's peak consumption season. Although competition and price fluctuations are likely to persist in the near future, the product line is expected to yield steady and reasonable contributions to the Group.

Even as a market leader in the production line of lysine products, the Group is constantly prepared to further strengthen its market position by enhancing its competitiveness and expanding its production volume. The fermentation production facilities with a total production capacity of 800,000 metric tonnes per annum are in place in order to respond and supply to the market according the market demand and needs.

For the polyol chemicals products, both the resumption of the production facilities with the annual capacity of 200,000 metric tonnes and the second phase with the annual production capacity of 500,000 metric tonnes in Xinglongshan will be on track as scheduled in the second half of 2012. However, given the recent volatility in the crude oil prices, the Group shall be cautious in the operational planning of the polyol chemicals production. In the meantime, the Group is placing considerable effort in the development of using corn stalk as an alternative raw material to the production of polyol chemicals products. Progresses with satisfactory results have been achieved, and additional extensive tests will be carried out.

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently the 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 ("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. An appeal against the judgment was lodged, but an interim decision from the Hague Appeal Court dated 29 March 2011 had been received, which upheld the Judgment.

Nevertheless, the Group has developed a bacterial strain for production of its L-lysine products which is different from those of the subject of the Judgment but of the same quality, and has ceased to use the bacterial strain that is subject to the Judgment for production L-lysine products. Therefore, the Directors believed that the decision of the Hague Appeal Court will not have any material adverse impact on the sales, financial or trading position and prospects of the Group.

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 2012.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2012, 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 an audit committee, a remuneration committee of the Board, a nomination committee and a corporate governance committee.

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. Mr. Zhang Fusheng, a former executive Director, had dealt with shares of the Company during the Period, including the blackout period prior to the publication of the annual results of the Company for the year ended 31 December 2011 on 21 March 2012, without first notifying in writing any of the then co-chairmen of the Board (being the Directors designated by the Board for the purpose of the Model Code) and obtaining a dated written acknowledgement prior to such dealings in shares, which constituted breaches of paragraphs A3(a) and B8 of the Model Code. Based on specific enquiry of the Directors, save as disclosed above, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding the Directors' securities transactions 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.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, 31 August 2012

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

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