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GLOBAL SWEETENERS HOLDINGS LIMITED

大成糖業控股有限公司^{*}

(incorporated in the Cayman Islands with limited liability)

(Stock code: 03889)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June (Unaudited)		
	2015 (HK\$ million)	2014 (HK\$ million)	Change %
Revenue	931	1,499	(37.9)
Gross profit	36	33	8.0
Loss before tax	(154)	(234)	N/A
Net loss from ordinary activities attributable to shareholders	(156)	(240)	N/A
Basic loss per share (HK cents)	(10.23)	(15.72)	N/A
Interim dividend per share (HK cents)	Nil	Nil	N/A

The board (“Board”) of directors (“Directors”) of Global Sweeteners Holdings Limited (the “Company”) hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 (the “Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
REVENUE	4	931,076	1,499,302
Cost of sales		<u>(895,527)</u>	<u>(1,466,386)</u>
Gross profit		35,549	32,916
Other income and gains	4	7,422	113,194
Selling and distribution expenses		(62,955)	(114,866)
Administrative expenses		(62,628)	(59,534)
Other expenses		(33,698)	(161,541)
Finance costs	5	<u>(37,207)</u>	<u>(44,557)</u>
LOSS BEFORE TAX	6	(153,517)	(234,388)
Income tax expense	7	<u>(2,727)</u>	<u>(5,787)</u>
LOSS FOR THE PERIOD		<u>(156,244)</u>	<u>(240,175)</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Hong Kong		<u>—</u>	<u>(19,431)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(156,244)</u>	<u>(259,606)</u>

		Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Loss attributable to:			
Owners of the parent		(156,224)	(240,102)
Non-controlling interests		<u>(20)</u>	<u>(73)</u>
		<u>(156,244)</u>	<u>(240,175)</u>
Total comprehensive loss attributable to:			
Owners of the parent		(156,224)	(259,611)
Non-controlling interests		<u>(20)</u>	<u>5</u>
		<u>(156,244)</u>	<u>(259,606)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	8		
Basic		<u>HK(10.23) cents</u>	<u>HK(15.72) cents</u>
Diluted		<u>HK(10.23) cents</u>	<u>HK(15.72) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,135,804	1,194,463
Prepaid land lease payments		175,820	177,663
Deposits paid for acquisition of property, plant and equipment		481	2,449
Goodwill		—	—
Other intangible assets		3,243	3,243
Deferred tax assets		969	969
Total non-current assets		1,316,317	1,378,787
CURRENT ASSETS			
Inventories		143,500	212,581
Trade and bills receivables	10	238,998	374,301
Prepayments, deposits and other receivables	11	486,299	396,753
Due from the immediate holding company		22,157	22,036
Due from fellow subsidiaries		162,486	154,059
Cash and cash equivalents		88,306	189,935
Total current assets		1,141,746	1,349,665
CURRENT LIABILITIES			
Trade and bills payables	12	121,966	227,665
Other payables and accruals		367,940	281,181
Interest-bearing bank borrowings		741,250	471,250
Due to fellow subsidiaries		93,557	92,682
Due to the ultimate holding company		28,587	28,587
Tax payable		22,301	24,631
Total current liabilities		1,375,601	1,125,996
NET CURRENT (LIABILITIES)/ASSETS			
		(233,855)	223,669

		30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		1,082,462	1,602,456
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		206,250	570,000
Deferred tax liabilities		108,556	108,556
Total non-current liabilities		314,806	678,556
Net assets		767,656	923,900
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	152,759	152,759
Reserves		621,154	777,378
		773,913	930,137
Non-controlling interests		(6,257)	(6,237)
Total equity		767,656	923,900

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of the Group for the Period are authorised for issue in accordance with a resolution of the Directors passed on 28 August 2015.

The Company was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 13 June 2006. The principal activity of the Company is investment holding. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at Unit 2403, Admiralty Centre, Tower II, No.18 Harcourt Road, Hong Kong. The Group was principally engaged in the manufacture and sale of corn refined products and corn-based sweetener products. There were no changes in the nature of the Group's principal activities during the Period.

The Company is a subsidiary of Global Corn Bio-chem Technology Company Limited (the "immediate holding company" or "Global Corn Bio-chem"), a company incorporated in the British Virgin Islands. In the opinion of the Directors, the ultimate holding company is Global Bio-chem Technology Group Company Limited (the "ultimate holding company" or "GBT"), a company incorporated in the Cayman Islands whose shares are also listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

The Group recorded a consolidated net loss of approximately HK\$156 million (six months ended 30 June 2014: approximately HK\$240 million) during the Period and net current liabilities of approximately HK\$234 million (31 December 2014: net current assets of approximately HK\$224 million) as at 30 June 2015.

The validity of the going concern assumption on which the interim condensed consolidated financial statements are prepared is dependent on the Group's financial and operation plans as detailed in the "Fundamental uncertainties relating to going concern" paragraphs in the section headed "Update on Remedial Measures" of this announcement.

The interim condensed consolidated financial statements of the Group have been prepared on a going concern basis and therefore, do not include any adjustments relating to the realisation and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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

Significant accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are the same as those used in the annual financial statements for the year ended 31 December 2014. The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial statements.

Amendments to HKAS 19 (2011) *Defined Benefit Plans: Employee Contributions*

Annual Improvements 2010-2012 *Amendments to a number of HKFRSs*

Cycle

Annual Improvements 2011-2013 *Amendments to a number of HKFRSs*

Cycle

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

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

HKFRS 9	<i>Financial Instruments</i> ³
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	<i>Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ³
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i> ¹
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of HKFRSs</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for first HKFRSs financial statements and for annual periods beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, but is not yet in a position to state whether these new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (i) the corn refined products segment comprises the manufacture and sale of corn starch, gluten meal, corn oil and other corn refined products; and
- (ii) the corn based sweetener products segment comprises the manufacture and sale of glucose syrup, maltose syrup, high fructose corn syrup, crystallised glucose and maltodextrin.

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

Segment assets exclude cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, the amount due to the ultimate holding company and other unallocated corporate liabilities as these liabilities are managed on a group basis.

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

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

(a) Business units information

	Corn refined products		Corn based sweetener products		Total	
			Six months ended 30 June			
	2015	2014	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	481,635	743,470	449,441	755,832	931,076	1,499,302
Intersegment sales	95,163	288,526	—	—	95,163	288,526
	<u>576,798</u>	<u>1,031,996</u>	<u>449,441</u>	<u>755,832</u>	<u>1,026,239</u>	<u>1,787,828</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales					(95,163)	(288,526)
Revenue					<u>931,076</u>	<u>1,499,302</u>
Segment results	<u>(70,974)</u>	<u>(169,138)</u>	<u>(32,988)</u>	<u>(24,170)</u>	<u>(103,962)</u>	<u>(193,308)</u>
<i>Reconciliation:</i>						
Bank interest income					483	1,567
Unallocated gains					6,939	111,627
Corporate and other unallocated expenses					(19,770)	(109,717)
Finance costs					(37,207)	(44,557)
Loss before tax					<u>(153,517)</u>	<u>(234,388)</u>
	Corn refined products		Corn based sweetener products		Total	
	30 June	31 December	30 June	31 December	30 June	31 December
	2015	2014	2015	2014	2015	2014
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>1,228,082</u>	<u>1,160,586</u>	<u>1,033,733</u>	<u>1,249,289</u>	<u>2,261,815</u>	<u>2,409,875</u>
<i>Reconciliation:</i>						
Elimination of intersegment receivables					(87,305)	(36,379)
Cash and cash equivalents					88,306	189,935
Corporate and other unallocated assets					195,247	165,021
Total assets	<u>2,458,063</u>	<u>2,728,452</u>			<u>2,458,063</u>	<u>2,728,452</u>
Segment liabilities	<u>398,543</u>	<u>405,934</u>	<u>302,879</u>	<u>219,127</u>	<u>701,422</u>	<u>625,061</u>
<i>Reconciliation:</i>						
Elimination of intersegment payables					(87,305)	(36,379)
Interest-bearing bank borrowings					947,500	1,041,250
Corporate and unallocated liabilities					128,790	174,620
Total liabilities	<u>1,690,407</u>	<u>1,804,552</u>			<u>1,690,407</u>	<u>1,804,552</u>

(b) Geographical information

	Mainland China		Regions other than Mainland China		Total	
			Six months ended 30 June			
	2015	2014	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Revenue from external customers	<u>884,563</u>	<u>1,413,344</u>	<u>46,513</u>	<u>85,958</u>	<u>931,076</u>	<u>1,499,302</u>

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of other income and gains of the Group is as follows:

	Note	Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Other income and gains			
Gain on resumption of assets located in Lu Yuan District	6	—	102,669
Net gains arising from sale of packing materials and by-products		907	6,337
Bank interest income		483	1,567
Government grants*		—	753
Reversal of impairment of trade and bills receivables		1,838	—
Exchange gains, net		181	—
Others		<u>4,013</u>	<u>1,868</u>
Total		<u>7,422</u>	<u>113,194</u>

* Government grants represented government rewards awarded to certain subsidiaries of the Company located in Mainland China and no further obligations and conditions need to be complied with.

5. FINANCE COSTS

An analysis of finance costs of the Group is as follows:

	Six months ended 30 June	
	2015	2014
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	35,285	40,991
Finance costs for discounted bills receivables	1,922	4,121
Total interest expense on financial liabilities not at fair value through profit or loss	37,207	45,112
Less: interest capitalised	—	(555)
Total	37,207	44,557

6. LOSS BEFORE TAX

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

	Notes	Six months ended 30 June	
		2015	2014
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold		888,040	1,209,246
Depreciation		69,461	71,435
Amortisation of prepaid land lease payments		3,625	3,585
Foreign exchange differences, net		(181)	849
Write-down/(reversal of write-down) of inventories to net realisable value [#]		3,276	(38,847)
Gain on resumption of assets located in Lu Yuan District ^{##}	4	—	(102,669)
Impairment of goodwill ^{##}		—	102,472
(Reversal of impairment)/impairment of trade and bills receivables	10	(1,838)	13,366
Reversal of impairment of other receivables		—	(10,778)
(Gain)/loss on disposal of property, plant and equipment		(2)	4,134

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

^{##} Pursuant to the Company's announcement dated 7 January 2014, the Group was committed to commencing a plan to relocate its production facilities located on the land in the Lu Yuan District, Changchun, the People's Republic of China (the "PRC") (the "Lu Yuan District") in response to the request of the local government to industrial companies to move their factories away from the central districts of the city which has been developed rapidly. The Group has entered into compensation agreements (the "Compensation Agreements") with Changchun Land Reserve Centre (長春市土地儲備中心) on 30 December 2013 and 31 December 2013.

Certain assets are retained on the land in the Lu Yuan District and will not be relocated to the new production site. Goodwill of HK\$149,950,000 is allocated to the land and these assets (collectively, the “Relevant Assets”) to be retained in the Lu Yuan District pending for disposal to the local government.

The recoverable amount of the Relevant Assets together with the goodwill is determined based on (i) the management’s estimated fair value of the resumption compensation to be received from the local government less (ii) the cost of disposal of the items of the Relevant Assets.

During the six months ended 30 June 2014, the Group received part of the resumption compensation amounting to RMB86,480,000 (approximately HK\$108,100,000) and the Group recognised a gain on assets compensation of HK\$102,669,000 based on the carrying value of certain items of the Relevant Assets held for sale of HK\$5,431,000. Accordingly, there is a corresponding decrease in the recoverable amount of the Relevant Assets together with the goodwill after the above compensation was received and the carrying value of certain items of the Relevant Assets amounting to HK\$5,431,000 was derecognised. Accordingly, impairment loss of goodwill amounting to HK\$102,472,000 was recognised in other expenses during the six months ended 30 June 2014.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current — Hong Kong	—	—
Current — Mainland China	2,727	4,321
Deferred	—	1,466
Tax charge for the period	<u>2,727</u>	<u>5,787</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the periods ended 30 June 2015 and 30 June 2014.

The statutory tax rate for all subsidiaries in Mainland China was 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%).

The Group had accumulated tax losses arising in Hong Kong of approximately HK\$59,852,000 (31 December 2014: HK\$55,260,000) that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group had accumulated tax losses arising in five PRC subsidiaries of approximately HK\$1,188,029,000 (31 December 2014: HK\$1,055,131,000) that were available for offsetting against future taxable profits of the companies in which the losses arose and these tax losses would expire from the year ending 31 December 2017 to the year ending 31 December 2020. The Directors consider that no deferred tax assets should be recognised as these tax losses are only available to offset against future taxable profits of the individual companies in which the losses arose and may not be used to offset taxable profits elsewhere in the Group and the Directors consider that it is uncertain whether future taxable profits would arise to offset against these losses for these companies.

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

The calculation of the basic loss per share for the Period is based on the consolidated loss for the Period attributable to equity holders of the parent and the weighted average number of ordinary shares in issue during the Period of 1,527,586,000 (six months ended 30 June 2014: 1,527,586,000).

No adjustment has been made to the basic loss per share amounts for the six months ended 30 June 2015 and 30 June 2014 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.

9. DIVIDEND

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

10. TRADE AND BILLS RECEIVABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade receivables	322,510	422,203
Bills receivable	21,583	59,031
Impairment	(105,095)	(106,933)
Total	<u>238,998</u>	<u>374,301</u>

The Group normally gives credit terms of 90 days to established customers and credit terms of 180 days were given to one major customer 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 the senior management.

Trade and bills receivables are non-interest-bearing. Significant concentration of risk exists where the Group has material exposures to trade and bills receivables from three customers located in Mainland China which accounted for 20% (31 December 2014: 31%) of the total trade and bills receivables as at 30 June 2015.

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 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 month	111,369	212,574
1 to 2 months	37,039	63,018
2 to 3 months	9,467	15,290
Over 3 months	<u>81,123</u>	<u>83,419</u>
Total	<u>238,998</u>	<u>374,301</u>

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Note</i>	
At 1 January 2015/1 January 2014	106,933	78,561
Impairment losses recognised	6 —	44,836
Impairment losses reversed	6 (1,838)	—
Amount written off as uncollectible	—	(15,482)
Exchange realignment	<u>—</u>	<u>(982)</u>
At 30 June 2015/31 December 2014	<u>105,095</u>	<u>106,933</u>

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Neither past due nor impaired	177,070	293,106
Less than 1 month past due	693	3,053
1 to 3 months past due	1,651	1,972
Over 3 months past due	<u>44,995</u>	<u>61,581</u>
Total	<u>224,409</u>	<u>359,712</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 consider 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.

Included in the Group's trade receivables are amounts due from the Group's fellow subsidiaries of HK\$42,854,000 (31 December 2014: HK\$70,796,000) which are repayable on similar credit terms to those offered to the major customers of the Group.

As at 30 June 2015, a subsidiary of the Group has pledged trade receivables of approximately HK\$8,927,000 (31 December 2014: Nil) to secure a bank loan.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2015, included in the prepayments, deposits and other receivables of HK\$486,299,000 (31 December 2014: HK\$396,753,000), there is a receivable amounting to approximately HK\$349,000,000 (31 December 2014: approximately HK\$354,000,000) due from 長春大金倉玉米收儲有限公司 (Changchun Dajincang Corn Procurement, Ltd., "Dajincang") relating to the stock return of certain corn kernels to Dajincang by one of the Group's subsidiaries, Changchun Dihao Foodstuff Development Co., Ltd. ("Changchun Dihao") in 2014. Dajincang has two directors in common with the Group's fellow subsidiaries located in Mainland China. Thus, Dajincang is deemed as a related party to the Group.

The amount due from Dajincang is unsecured, interest free and is repayable on 31 December 2015. It was agreed between the Group and Dajincang that the outstanding amount could be settled in the same quantity of corns in kind or in cash valued such returned goods at then prevailing market prices of corns in the even of resumption of the Group's production, but in any case not later than 31 December 2015.

None of the items of prepayments, deposits and other receivables are either past due or impaired or have recent history of default.

12. TRADE AND BILLS PAYABLES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trade payables	107,753	227,665
Bills payable	14,213	—
Total	<u>121,966</u>	<u>227,665</u>

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 is normally settled on a cash basis. The carrying amounts of trade and bills 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 date of the receipt of goods purchased, is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 month	20,925	185,895
1 to 2 months	33,756	3,369
2 to 3 months	18,317	1,970
Over 3 months	48,968	36,431
Total	121,966	227,665

Included in the Group's trade payables are amounts due to the Group's fellow subsidiaries of HK\$21,838,000 (31 December 2014: HK\$18,612,000) which are repayable on similar credit terms to those offered by the fellow subsidiaries to their major customers.

13. SHARE CAPITAL

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Authorised:		
100,000,000,000 (31 December 2014: 100,000,000,000) ordinary shares of HK\$0.10 each	10,000,000	10,000,000
Issued and fully paid:		
1,527,586,000 (31 December 2014: 1,527,586,000) ordinary shares of HK\$0.10 each	152,759	152,759

UPDATE ON REMEDIAL MEASURES

The financial statements of the Company for the year ended 31 December 2014 had been subject to the disclaimer of opinions of the auditors of the Company (the “Auditors”) on the basis as set out in the paragraph headed “Basis for disclaimer of opinion” in the independent auditors’ report in the annual report of the Company for the year ended 31 December 2014 (“2014 Annual Report”). Further to the management response and relevant remedial measures taken and to be taken by the management as set out in the paragraph headed “Management Response and Remedial Measures” in the 2014 Annual Report, the management of the Company wishes to update on the relevant remedial measures taken or to be taken by the management.

In July 2015, the Company has engaged an independent internal control (“IC”) expert (“IC Expert”) to conduct a review on the Group’s internal controls and systems (“IC Review”). It is expected that the review will be finalised before the end of 2015 and the Company will take active steps in following up and implementing the recommendations from the IC Expert.

1. Financial guarantees granted for the benefits of a major supplier

As detailed in the 2014 Annual Report, the fair value of certain guarantees (“Dajincang Financial Guarantees”) issued by a member of the Group to a bank in Mainland China in connection with facilities granted to Dajincang, a major supplier of the Company’s subsidiaries in Changchun, was not recognised in the Group’s financial statements for the year ended 31 December 2014. The Company has engaged a professional valuer to perform an independent valuation of the Dajincang Financial Guarantees. However, the valuation has not yet been completed as at the date of this announcement as more than expected time is required to agree on a mutually acceptable valuation methodology, including but not limited to market evidences, among the valuer, the Auditors and the Company, and the collection of Dajincang’s financial information for the valuation and therefore the fair value of the Dajincang Financial Guarantees were not recognised in the Group’s interim condensed consolidated financial statements (the “2015 Interim Financial Statements”). It is currently expected that the valuation will be completed in time for the preparation of the Company’s and the Group’s financial statements for the year ending 31 December 2015 (the “2015 Financial Statements”). Should the valuation be ready, adjustments may have to be made to reflect the fair value of the Dajincang Financial Guarantees, which may have a consequential impact on the opening balance of the Group’s net assets as at 1 January 2015 and 30 June 2015 and its loss for the Period.

The IC Expert will review the internal control procedures relevant to the approval and reporting of guarantees and pledges of assets.

2. Impairment loss on and sales of substandard and inferior corn kernels

In respect of the impairment loss on and sales of substandard and inferior corn kernels, the management has implemented control procedures to timely identify, quantify and dispose of substandard and inferior corn kernels on a periodic basis with appropriate supporting control documents being properly kept in writing as audit trail. In respect of the abnormal wastage of corn kernels during production, the management has implemented additional control procedures requiring written records be kept for the quantity of the relevant corn kernels put into the production line, and any abnormal production yield and wastage should be timely investigated and properly accounted for. The IC Expert will review the internal control procedures (together the above-mentioned control procedures as well as the documentation and filing measures) relevant to the controls over substandard and inferior corn kernels and abnormal production yield and wastage, and make recommendations of specific measures to address internal control weaknesses identified thereon.

The disclaimer opinion in respect of inventory losses as at 31 December 2014 may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and its loss for the Period. However, there would be no impact on the Group's inventories as at 30 June 2015.

3. Inventories — ownership of certain corn kernels

As detailed in the 2014 Annual Report, certain corn kernels of HK\$39 million were kept at nearby locations outside the Group's premises because of the reconstruction of certain warehouse in Jinzhou as at 31 December 2014. To avoid recurrence of similar incidences in the future, the Group adopts internal control procedures with standard not lower than those applicable to the inventories kept at the Group's own premises, including but not limited to keeping independent inventory records for inventories stored in all outside locations, including the transfers between such outside locations and its own warehouses, and obtaining monthly confirmation from external custodians of the Group's assets. The IC Expert will review the internal control procedures (together with the above-mentioned control procedures as well as the documentation and filing measures) relevant to the controls over ownership of corn kernels, and make recommendations of specific measures to address internal control weaknesses identified thereon. During the Period, the Group's inventories are under the custody of its own properties and premises.

The disclaimer opinion on the ownership of certain inventories kept at external locations as at 31 December 2014 may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and its loss for the Period. However, there would be no impact on the Group's inventories balance as at 30 June 2015.

4. Other receivable from a major supplier

As detailed in the 2014 Annual Report, receivable arisen from certain returned corn kernels to Dajincang by the Group in December 2014 remained outstanding as at 31 December 2014. The outstanding receivable from Dajincang amounted to approximately HK\$349 million as at 30 June 2015. The management has taken concerted actions with Dajincang and the labour union (the “Labour Union”) of the employees of the Group and GBT and its subsidiaries (other than the members comprising the Group, the “GBT Group”) to safeguard the values and repayment ability of Dajincang and other assets of the Labour Union. The management will continue to work with Dajincang and the Labour Union with an aim of obtaining sufficient operating and financial information of Dajincang (and other assets of the Labour Union, if necessary) for the objective assessment of the recoverability of the outstanding balance due from Dajincang as at 31 December 2015.

As part of the IC Review, IC Expert will review the internal control procedures (together the above-mentioned control procedures as well as the documentation and filing measures) relevant to the controls over procurement and inventories stored at outside warehouses as well as the credit and recoverability assessments of amounts due, and make recommendations of specific measures to address internal control weaknesses identified thereon.

The disclaimer opinion on the nature and the recoverability of the other receivable due from Dajincang as at 31 December 2014 may have a consequential impact on the opening balance of the Group’s net assets as at 1 January 2015 and its loss for the Period. Moreover, as the management is still in the process of properly executing the above remedial actions, adjustments may have to be made to the other receivable due from Dajincang as at 30 June 2015, which may have a consequential impact on the Group’s net assets as at that date and its loss for the Period.

5. Amounts due from the ultimate holding company and the fellow subsidiaries

The Group normally assesses the recoverability of balances with GBT and its subsidiaries on an aggregate basis and given the management’s in-depth knowledge of the GBT Group. As at 30 June 2015, the Group has amounts due from the ultimate holding company and the fellow subsidiaries amounted to approximately HK\$227 million. The net amount due from the ultimate holding company and the fellow subsidiaries, however, dropped from HK\$107 million as at 31 December 2014 to HK\$84 million as at 30 June 2015. The management will coordinate with the GBT Group with an aim to reduce the current account balances with members of the GBT Group. On 10 June 2015, the Company made an announcement on the letter of intent entered into between GBT and the Proposed Subscriber on the Possible Subscription for a total consideration of not less than RMB1.5 billion. As at the date of this announcement,

the negotiation in respect of the Possible Subscription is still in progress. If the Possible Subscription is materialised, the management expects the gearing ratio of GBT Group will be lessened and consequently enhancing the recoverability of the amounts due from the ultimate holding company and fellow subsidiaries of the Group.

In future, formal credit assessment and recoverability review will be periodically carried out on members of the GBT Group. As part of IC Review, the IC Expert will review the internal control procedures relevant to the recoverability review of such balances.

The disclaimer opinion on the recoverability of the current account balances with members of the GBT Group as at 31 December 2014 may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and its loss for the Period. Moreover, as GBT is still in the process of completing the Proposed Subscription of its shares by the Proposed Subscriber and the management is still in the process of properly executing the above remedial actions, adjustments may have to be made to the current account balances with members of the GBT Group as at 30 June 2015, which may have a consequential impact on the Group's net assets as at that date and its loss for the Period.

6. Accounts payable

As detailed in the 2014 Annual Report, during the audit process for the year ended 31 December 2014, the management noted a low response rate of accounts payable confirmation received by the Auditors. The management implements additional periodic internal confirmation procedures of balances with all customers and suppliers to be carried out in writing on a regular basis and, in the event of any discrepancies, the management will promptly review and reconcile the discrepancies, which will be adjusted in the accounting records.

During the audit process for the year ending 31 December 2015, the management will endeavour to ensure the Auditors would be able to commence their confirmation procedures with an aim to allow ample time for the suppliers to respond directly to the Auditors. Appropriate follow-ups will be made to request the suppliers to reply directly to the Auditors.

As part of the IC Review, the IC Expert will review the internal control procedures (together the above-mentioned additional confirmation procedures) relevant to the fair presentation of accounts payable and make recommendations of specific measures to address internal control weaknesses identified thereon.

The disclaimer opinion on the accounts payables as at 31 December 2014 may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and its loss for the Period. However, there would be no impact on the Group's accounts payable as at 30 June 2015.

7. Impairment of non-current assets

As detailed in the 2014 Annual Report, due to significant losses sustained by the Group, the Auditors were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the director's impairment estimation for the year ended 31 December 2014, which may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and its loss for the Period. During the Period, no impairment of non-current assets was recognised in the 2015 Interim Financial Statements. Should a mutually acceptable valuation basis be reached as well as the valuation be ready, adjustments may have to be made to reflect the impact on the Group's net assets as at 30 June 2015. The management of the Company will continue to negotiate with the valuers and the Auditors to reach a common basis for determining the recoverable amount of the land and the plant and machinery exerted thereon before the preparation of the 2015 Financial Statements, including but not limited to the use of a discounted cash flows method. The management considers that reaching a mutually acceptable valuation basis will be less controversial when the Group's operations and the market environment stabilises and the relocation of the Group's production facilities in Changchun and the resumption of the related land by the local government are finalised.

8. Impairment of investments in subsidiaries and amounts due from subsidiaries and financial guarantee contracts of the Company

As detailed in the 2014 Annual Report, due to significant losses sustained by the subsidiaries of the Company, the Auditors were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the director's impairment estimation for the year ended 31 December 2014, which may have a consequential impact on the opening balance of the Group's net assets as at 1 January 2015 and its loss for the Period. The management will carry out mutually acceptable impairment assessment taking into account the consequential impact on the recoverable values of the investments in subsidiaries and amounts due from subsidiaries and engage a professional valuer to perform an independent valuation of the financial guarantee contracts of the Company for the preparation of the 2015 Financial Statements. On completion of the above-mentioned assessment and should the above-mentioned valuation would have made available as at 30 June 2015, adjustments may have to be made to reflect the fair value of the Company's investments in subsidiaries and amounts due from subsidiaries as well as the financial guarantee contracts as at 30 June 2015.

9. Fundamental uncertainties relating to going concern

As detailed in the 2014 Annual Report, the Auditors have raised fundamental uncertainties relating to going concern of the Group. The management would like to take this opportunity to provide the below information on the Group's financial and operating plans which form the primary basis that the Directors considered that the Group will be able to continue as a going concern in the foreseeable future.

On the other hand, the Group's Shanghai and Jinzhou operations have repaid and renewed bank loans of HK\$131 million and HK\$98 million respectively for the six months ended 30 June 2015. Based on the Group's long-established relationships with the local banks, the management anticipates no difficulty for the Group's Shanghai and Jinzhou operations to renew their banking facilities due in the coming 12 months.

With respect to the Group's Changchun operation, as disclosed in the 2014 Annual Report, based on a report of the Lender Bank and during a meeting between the senior representatives of the Lender Bank and the Group, the Lender Bank has indicated that in accordance with the government-led financial assistance consensus reached in September 2014, it is the intention of the Lender Bank not to lower the credit rating of, nor to reduce the amounts of facilities granted to, the Group's subsidiaries in Jilin province in the foreseeable future. The Group and the GBT Group are in the process of extending the current banking facilities to ensure the continuity of the Group's Changchun operation.

As mentioned in item 5 above regarding the amounts due from ultimate holding company and the fellow subsidiaries, it is expected that the financial position of GBT will be enhanced upon the materialisation of the Possible Subscription. It is expected that the completion of the above-mentioned Possible Subscription of GBT's shares would improve the Group's financial position and would give a significant boost to the Group's renewal of its banking facilities.

With respect to the relocation of the Group's Changchun facilities, reference is made to the announcements of the Company dated 7 January 2014 and 31 March 2014. The Group has accepted the resumption proposal and entered into the Compensation Agreements. As disclosed in the 2014 Annual Report, the Group received part of the resumption compensation amounting to RMB86,480,000 (approximately HK\$108,100,000). The remaining part of the Group's production site in Changchun with an aggregate area of approximately 256,754 square metres and the production facilities erected thereon are pending for resumption and relocation. On 21 August 2014, Changchun Land Reserve Centre and the Group have reached a preliminary understanding on the intention of the resumption. It was agreed that the compensation shall be determined by the Changchun Land Reserve Centre and the Land Acquisition Reserve Transaction Fund Verification Centre (長春市土地儲備交易資金審核中心), with reference to the valuation performed by a valuer to be appointed by Changchun Land Reserve Centre.

It is expected that formal land resumption compensation agreements will be entered into after Changchun Land Reserve Centre and the Group agree on the final terms and conditions. For the reference of the Company's management, the Group and the GBT Group have engaged an independent valuer to perform a valuation of the subject land, buildings, machineries and fixtures erected thereon. The valuation amounted to RMB665 million in aggregate as of 31 July 2014. The proceed from the sales of land will also improve the Group's liquidity.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the manufacture and sale of corn refined products and corn sweeteners, categorised into upstream and downstream products. The Group's upstream products include corn starch, gluten meal, corn oil and other corn refined products. Corn starch is refined downstream to produce various corn sweeteners such as corn syrup (glucose syrup, maltose syrup and high fructose corn syrup) and corn syrup solid (crystallised glucose and maltodextrin). The Group is also engaged in the corn procurement business, which corn kernels are purchased directly from farmers via corn origination silos for cost savings.

BUSINESS REVIEW

The selling prices of the Group's products are affected by the prices of their raw materials (principally corn kernels and corn starch), the demand and supply of each of the products and their respective substitutes in the market and the variety of product specifications.

Global corn harvest in 2015 remained at approximately 1,006 million metric tonne ("MT"). International corn price dropped to 380 US cents per bushel (equivalent to RMB1,599 per MT) (30 June 2014: 417 US cents per bushel) by the end of the Period. Similarly, in the PRC, corn harvest in 2014/15 maintained at about 215 million MT (2013/14: approximately 218 million MT). However, corn price in China continued to stay high during 2015. Such phenomenon was mainly attributable to the protectionist agricultural policy adopted by the PRC government which aims at protecting local farmers and stabilising domestic corn price. The policy includes raising the national corn reserves. According to the estimation from China National Grain and Oils Information Center, the level of national corn reserves will reach 120 million MT in 2015. As a result, the average purchase price of corn kernels remained at approximately RMB2,067 per MT (30 June 2014: RMB1,985 per MT) for the Period.

As observed by the management, the PRC Government agricultural policy is under reform. Since early 2015, instead of purchasing certain agricultural products such as cotton at a pre-determined floor price directly from the farmers, the PRC Government has started to subsidise farmers directly in relation to the price discrepancy between the floor price and the prevailing market price for each MT of agricultural products sold. This practice is expected to enable the prices of agricultural products under the new scheme to be determined by market mechanism gradually. Although the new scheme adopted by the PRC Government does not apply to domestic corn produced in the PRC at present, the management expects this will cover domestic corn in foreseeable future which is expected to stabilise the purchasing price of corn in the PRC in future.

Despite the PRC Government's continuous efforts to stimulate economic growth, the depressed property prices and industrial production suggest that pace of economic growth in China remained slow. Sentiment among buyers and manufacturers stayed conservative. Consequently, the market selling price of the Group's products was put under pressure. In addition, as the market is flooded with excess supply of corn starch, the price of upstream products remained weak in the first half of 2015 at approximately RMB2,430 per MT (30 June 2014: RMB2,460 per MT).

In respect of sugar price movement, the domestic production of cane sugar, a substitute of the Group's corn sweetener products, dropped from 13.3 million MT to 10.8 million MT in the harvest of the year 2014/2015. Domestic sugar price increased to approximately RMB5,400 per MT (30 June 2014: RMB4,700 per MT) by the end of the Period. On the other hand, increased production in various major sugar producing regions has pressed international sugar price to 12.34 US cents per pound (equivalent to RMB1,665 per MT) (30 June 2014: 16.60 US cents per pound, equivalent to RMB2,273 per MT) by the end of June 2015. The discrepancy between domestic and international sugar prices encouraged imports, which exert pressure on the prices of the Group's sweetener products.

In addition, the Group will take the opportunity of relocating its production facilities to Xinglongshan, Changchun to re-adjust its product mix and capacity to adapt to market changes.

With respect to the operations in the Group's Changchun production site, the management has suspended all its productions in Changchun pending the relocation of the facilities to the new Xinglongshan site and the finalisation of the arrangement for the land to be resumed by the local government. Except for certain management and key employees, other headcounts were cut through natural wastage. The management has also taken all the necessary measures to optimise the costs of keeping the Changchun operations at its current mode.

Regarding the operations in the Group's Jinzhou production site, as mentioned in the 2014 Annual Report, Jinzhou Yuancheng Bio-chem Technology Co., Ltd. ("Jinzhou Yuancheng") obtained an import quota of 150,000 MT of corn on 16 March 2015 approving Jinzhou Yuancheng to purchase imported corn for production starting in May 2015. In July 2015, Jinzhou Yuancheng imported 42,000 MT of corn for production purpose. The Company is currently assessing the economic benefit of such arrangement.

The management noted the Shanghai operation has been healthy and stable with positive cash inflows for the past years and expects stable performance in such operation in the second half of 2015. The management considers that the Group's Shanghai operation will gradually be transformed into a sales-based operation where most of the Group's sales, customer relationship management as well as research and development activities will be centralised. The Group's operation in Jinzhou will then focus on being a major production base of the Group to serve the markets nearby as well as South China market, including the needs from the Shanghai operation. The increased cooperation between the operations in Shanghai and Jinzhou would result in better economies of scale and competitive edge of the Group.

In view of the increasingly challenging operating environment, the Group will continue to strengthen its market position leveraging on its brand name and further improve operation efficiency through continuous research and development efforts to lower operating costs.

FINANCIAL PERFORMANCE

The Group's consolidated revenue decreased by approximately 37.9% to approximately HK\$931 million (2014: HK\$1,499 million) while gross profit increased by approximately 8.0% to HK\$36 million (2014: HK\$33 million) when compared to the corresponding period last year. The Group's net loss attributable to shareholders for the Period amounted to approximately HK\$156 million (2014: HK\$240 million). The net loss is mainly due to the low utilisation rate of the Group's production facilities in Jinzhou as a result of the poor operating environment since last year, and the suspension of the Group's production facilities in Changchun in preparation for the relocation as disclosed in an announcement of the Company dated 31 March 2014. Consequently, the Group's unit production costs remained high during the Period. The combined effect with the weak market selling prices has posed pressure on the Group's performance for the Period.

Upstream products

(Sales amount: HK\$482 million (2014: HK\$743 million))

(Gross loss: HK\$5 million (2014: HK\$46 million))

During the Period, the revenue and gross loss of corn procurement business amounted to approximately HK\$165 million and HK\$2 million (2014: HK\$72 million and gross profit of HK\$3 million) respectively. There is no internal consumption of corn kernels for upstream production during the Period (2014: 31,000 MT).

During the Period, the sales volume of corn starch and other corn refined products were approximately 65,000 MT (2014: 142,000 MT) and 37,000 MT (2014: 87,000 MT) respectively. Internal consumption of corn starch was approximately 30,000 MT (2014: 80,000 MT), which was mainly used as raw material for production in the Group's Jinzhou and Shanghai production sites.

The average selling prices of corn starch increased by approximately 11.5% to HK\$3,384 per MT (2014: HK\$3,035 per MT) while other corn refined products decreased by approximately 12.2% to HK\$2,424 per MT (2014: HK\$2,762 per MT) as compared to the corresponding period last year. As the average selling prices increased during the Period, the corn starch segment recorded a gross profit margin of approximately 3.8% (2014: gross loss margin of 3.6%). However, other corn refined products segment recorded a gross loss margin of approximately 13.7% (2014: 14.0%) as a result of weaker-than-expected average selling prices during the Period.

The Group's upstream business has been hammered by the slowdown of China's economic growth, weak export and excess supply in the market since the fourth quarter of 2011. This situation continued during the Period and is expected to continue in the second half of 2015. As such, the utilisation rate in Jinzhou was only 22.2% which increased the unit production cost of corn starch by 3.6% to HK\$3,257 per MT (2014: HK\$3,143 per MT).

Corn syrup

(Sales amount: HK\$317 million (2014: HK\$462 million))

(Gross profit: HK\$25 million (2014: HK\$49 million))

During the Period, revenue of corn syrup decreased by 31.4% to approximately HK\$317 million (2014: HK\$462 million). It was mainly attributable to the decrease in sales volume by 33.1% to approximately 89,000 MT (2014: 133,000 MT) as a result of the suspension of Changchun production facilities since March 2014. As such, gross profit decreased by 49.0% to approximately HK\$25 million (2014: HK\$49 million). During the Period, the unit production cost increased by 5.7% due to the lower utilisation rate in Jinzhou. As a result, the gross profit margin decreased to 7.9% (2014: 10.5%).

Internal consumption of corn syrup for downstream production during the Period amounted to approximately 1,000 MT (2014: 9,000 MT), which was mainly attributable to the decrease in the production volume of corn syrup solid.

Corn syrup solid

(Sales amount: HK\$132 million (2014: HK\$294 million))

(Gross profit: HK\$16 million (2014: HK\$30 million))

Sales volume of corn syrup solid decreased by approximately 53.6% as a result of the suspension of the Changchun production facilities. The average selling price of corn syrup solid decreased by 1.7% to approximately HK\$3,415 per MT (2014: HK\$3,473 per MT). Consequently, the revenue of corn syrup solid decreased by 55.1% to approximately HK\$132 million (2014: HK\$294 million).

During the Period, corn syrup solid segment recorded a gross profit of approximately HK\$16 million (2014: HK\$30 million) with a gross profits margin of 11.8% (2014: 10.4%) as the Group moved away from the low-end markets in Northern China.

Export sales

During the Period, the Group exported approximately 24,000 MT (2014: 17,000 MT) of upstream corn refined products and approximately 100 MT (2014: 11,000 MT) of corn sweeteners; their export sales amounted to approximately HK\$46 million (2014: HK\$40 million) and HK\$0.6 million (2014: HK\$45 million) respectively, together representing approximately 5.0% (2014: 5.7%) of the total revenue of the Group.

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

Other income and gains

During the Period, other income of the Group decreased to HK\$7 million (2014: HK\$113 million). The other income recorded in the corresponding period last year was mainly attributable to the gain on assets compensation as a result of the relocation of production facilities in Changchun which amounted to approximately HK\$103 million.

Selling and distribution expenses

During the Period, the selling and distribution expenses representing 6.8% (2014: 7.7%) of the Group's revenue, which represents a decrease of 45.2% to approximately HK\$63 million (2014: HK\$115 million). Such decrease was mainly attributable to the decrease in the Group's revenue.

Administrative expenses

During the Period, administrative expenses remained at similar level of approximately HK\$63 million (2014: HK\$60 million), representing 6.7% (2014: 4.0%) of the Group's revenue.

Other expenses

During the Period, other expenses of the Group decreased to approximately HK\$34 million (2014: HK\$162 million). Such decrease was due to the exceptionally high other expenses recorded for the corresponding period last year, which was attributable to the reallocation of depreciation from cost of sales as a result of the idle capacity of the Changchun production facilities and impairment of goodwill of Changchun production facilities which amounted to approximately HK\$52 million and HK\$103 million respectively.

Finance costs

During the Period, finance costs of the Group decreased to approximately HK\$37 million (2014: HK\$45 million) as a result of the reduction in bank borrowings by approximately HK\$120 million.

Income tax

Although the Group recorded a net loss during the Period, certain subsidiaries in the PRC incurred net profit and were subject to the PRC enterprise income tax. As a result, income tax expenses amounted to approximately HK\$3 million was made (2014: HK\$6 million).

Net loss attributable to shareholders

As a result of the above explanations, the Group recorded a net loss of approximately HK\$156 million (2014: HK\$240 million) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY

Structure of interest bearing borrowings and net borrowing position

As at 30 June 2015, the Group's bank borrowings amounted to approximately HK\$948 million (31 December 2014: HK\$1,041 million), of which all (31 December 2014: 94.2%) was denominated in Renminbi. The average interest rate during the Period increased to approximately 7.1% (2014: 7.0%) per annum as a result of the increase in the PRC interest rate.

During the Period, the Group was in compliance with the financial covenants as required in its current banking facilities and had no difficulty in renewing its banking facilities.

Turnover days, liquidity ratios and gearing ratios

Credit terms, normally 90 days, are granted to customers, depending on their credit worthiness and business relationships with the Group. During the Period, the trade receivables turnover days remained unchanged at approximately 47 days (31 December 2014: 47 days).

During the Period, trade payables turnover days decreased to approximately 25 days (31 December 2014: 27 days) as part of the cash flow management.

As at 30 June 2015, the inventory level decreased by 32.4% to approximately HK\$144 million (31 December 2014: HK\$213 million). However, with the decrease in cost of sales to approximately HK\$896 million, the inventory turnover days had increased to approximately 29 days for the Period (31 December 2014: 25 days).

The current ratio as at 30 June 2015 decreased to approximately 0.8 (31 December 2014: 1.2) and the quick ratio decreased to approximately 0.73 (31 December 2014: 1.01), due to the reallocation of long term borrowings amounted to HK\$364 million to short term ones. Gearing ratio in terms of net debts (i.e. net balance between bank borrowings and cash and cash equivalents) to equity was approximately 110.1% (31 December 2014: 92.1%). The increase in gearing ratio was due to the net loss incurred by the Group during the Period.

FOREIGN EXCHANGE EXPOSURE

Since most of the operations of the Group were carried out in the PRC in which transactions were denominated in Renminbi, the Directors consider that there is no material unfavourable exposure to foreign exchange fluctuation. Therefore, the Group does not intend to hedge its exposure to foreign exchange fluctuations in Renminbi. However, the Group will constantly review the economic situation, development of the Group's business segments and its overall foreign exchange risk profile, and will consider appropriate hedging measures in future as and when necessary.

SUPPLEMENTARY INFORMATION IN RELATION TO THE PERIOD UNDER REVIEW

Provision of financial assistance by the Group to the GBT Group

Reference is made to the announcement of the Company dated 31 March 2015 in relation to, among others, the provision of financial assistance by the Group to the GBT Group (“March Announcement”). In December 2014 and February 2015, certain members of the Group entered into mortgages for the provision of mortgage security in favour of certain banks in the PRC for the benefit of certain members of the GBT Group. GBT is a controlling shareholder of the Company holding approximately 64.04% of the entire issued share capital of the Company. The provision of financial assistance by the Group to the GBT Group constituted connected transactions for the Company under Chapter 14A of the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange. The failure by the Company to comply with the reporting, announcement and independent shareholders’ approval requirements in respect of the mortgages constituted non-compliance with Rule 13.16 and Chapters 14 and 14A of the Listing Rules. For further information in relation to the financial assistance, please refer to the March Announcement for details.

Suspension and relocation of production operations at Luyuan District, Changchun

Reference is made to the March Announcement. In view of the current market conditions, the Group will be taking the opportunity to relocate its production facilities for downstream products in Luyuan District in Changchun to its Xinglongshan site. Coupled with the temporary halt of production of upstream products in Luyuan District as announced on 31 March 2014, the Group would not be manufacturing any products at its production facilities in Luyuan District until it has completed relocation of its production facilities to Xinglongshan and market conditions improve. Its operations at Shanghai and Jinzhou will, however, continue. Pending the resumption of production at Xinglongshan, the Group will, if necessary, source corn starch externally from either independent third parties or the GBT Group pursuant to the corn starch master purchase agreement entered into between the Group and the GBT Group on 30 August 2012.

Possible disposal of lands and buildings by the Group

Reference is made to the March Announcement. The Group are owners of the certain lands and buildings located in Changchun, the PRC (“Subject Tract”) with a total site area of some 256,754 sq.m. and buildings erected thereon with total gross floor area of about 112,528 sq.m.. The lands (with the buildings thereon) on the Subject Tract are owned by different members of the Group. The owners of the Subject Tract (as well as the GBT Group and 長春大成生化飼料開發有限公司 (Changchun Dacheng Bio-feed Development Co., Ltd.) as owners of adjacent land plots) are in advance negotiations with Changchun Land Reserve Centre for a resumption of the Subject Tract. A preliminary valuation of the Subject Tract indicates that it has a valuation of some RMB500 million. Based on the book values attributable to the lands and buildings comprised in the Subject Tract as at 31 December 2014, a resumption of land will constitute notifiable transactions of the Company under

Chapter 14 of the Listing Rules. If these transactions proceed, further announcement(s) will be made by the Company. It should however be noted that there is no binding agreement for a resumption of the all or any part of the Subject Tract, or when such agreement may be entered into, or the amount of compensation payable.

POSSIBLE SUBSCRIPTION OF GBT SHARES

Reference is made to the announcements of the Company dated 10 June 2015, 10 July 2015 and 14 August 2015 regarding the possible cash subscription by a subscriber for the new share/or other securities of GBT for a total consideration of not less than RMB1.5 billion. Shareholders of the Company and potential investors are advised to read the aforementioned announcements or any relevant subsequent announcements of the Company for more information in this connection.

FUTURE PLANS AND PROSPECTS

In order to maintain the competitiveness of the Group, the Group will strive to maintain its market share, diversify its product mix and enhance its capability in developing high value-added products and new applications through in-house research and development efforts and strategic business alliance with prominent international market leaders.

In the short run, the Group will take opportunity of the relocation of its production facilities to the Xinglongshan site to re-adjust its product mix and capacity to adapt to market changes, and at the same time, enhance operation efficiency through continuous research and development efforts to lower operating costs. The relocation plan of the Group will be financed by the Group's internal resources, and the Directors are of the view that the existing technology know-how of the Group is sufficient for the relocation of production facilities.

In the long run, the Group will continue to strengthen its market position leveraging on its brand name and add value to the current product mix through the introduction of new high value-added products.

With respect to the financial position of the Group, the management will endeavor to overcome the challenges and adopt a prudent approach in face of the current market condition.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2015, the Group has approximately 1,280 (31 December 2014: 1,350) full time employees in Hong Kong and the PRC. The Group appreciates the correlation between human resources and its success, and recognises the value of human resources management as a source of competitive advantage in the increasing turbulent environment. The Group places great emphasis on the selection and recruitment of new staff, on-the-job training, appraisal and rewards of its employees to align employees' performance with the Group's strategies. The Company also acknowledges the contribution of its employees and strives to maintain remuneration packages and career development

opportunities to retain current employees. Remuneration packages include discretionary bonuses payable on a merit basis, which are in line with industrial practice. Staff benefits provided by the Group include mandatory funds, insurance schemes and performance related commissions.

INTERIM DIVIDEND

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

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND MODEL CODE

The Company is committed to ensuring a high standard of corporate governance for the interests of its shareholders and devotes considerable effort in identifying and formalising best practices.

Save as disclosed below, in the opinion of the Directors, the Company has complied with all code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2015.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Kong Zhanpeng is the chairman and chief executive officer ("CEO") of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person has the benefit of ensuring effective and efficient decision making and management control.

The Company has adopted a code of conduct regarding the Directors' 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 ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Directors, all Directors have confirmed to the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct throughout the Period.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises all three independent non-executive Directors. As at the date of this announcement, the chairman of the Audit Committee is Mr. Chan Yuk Tong, and the other members of the Audit Committee are Mr. Ho Lic Ki and Mr. Lo Kwing Yu.

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

The interim results of the Group for the Period have not been audited, but have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE COMMITTEE

The corporate governance committee of the Company (the "Corporate Governance Committee") was established in accordance with the requirements of the CG Code for the purposes of reviewing the Company's policies and practices on corporate governance, and providing supervision over the Board and its committees' compliance with their respective terms of reference and relevant requirements under the CG Code, or other applicable laws, regulations, rules and codes. The Corporate Governance Committee comprises of an executive Director, Mr. Lee Chi Yung, and two independent non-executive Directors, Mr. Chan Yuk Tong and Mr. Ho Lic Ki. The chairman of the Corporate Governance Committee is Mr. Chan Yuk Tong.

The Corporate Governance Committee reviewed the Company's policies and practices on corporate governance, and considered that the Company has complied with all code provisions in the CG Code during the six months ended 30 June 2015, except for the code provision A.2.1 of the CG Code as disclosed in the section headed "Compliance with the corporate governance code and model code".

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.global-sweeteners.com under "Investor Relations".

The interim report 2015 of the Company will be dispatched to the shareholders of the Company and will be available for viewing on the aforesaid websites of the Stock Exchange and the Company in due course.

On behalf of the Board
Global Sweeteners Holdings Limited
Kong Zhanpeng
Chairman and Chief Executive Officer

Hong Kong, 30 August 2015

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. KONG Zhanpeng, Mr. LEE Chi Yung, Mr. NIE Zhiguo and Mr. WEN Gang and three independent non-executive directors, namely Mr. CHAN Yuk Tong, Mr. HO Lic Ki and Mr. LO Kwing Yu.

** For identification purposes only*