GLOBAL Bio-Chem Technology Group Company Limited
大成生化科技集團有限公司
Stock Code : 00809

INTERIM REPORT 2011

JILIN

Annual Production Capacity:

- Amino Acids — 600,000 mt
- Corn Sweeteners — 820,000 mt
- Modified Starch — 80,000 mt
- Polyol Chemicals — 210,000 mt
- Corn Refinery — 2.4 million mt

Site Area: Over 3.3 million m^2
Location: Situated within the Golden Corn Belt

LIAONING

Annual Production Capacity:

- Corn Refinery — 600,000 mt
- Corn Sweeteners — 200,000 mt

Site Area: Approximately 370,000 m^2
Location: Situated within the Golden Corn Belt and at the transportation hub

SHANGHAI

Annual Production Capacity:

- Corn Sweeteners — 240,000 mt

Site Area: Approximately 30,000 m^2
Location: Situated in close proximity to food & beverage manufacturers

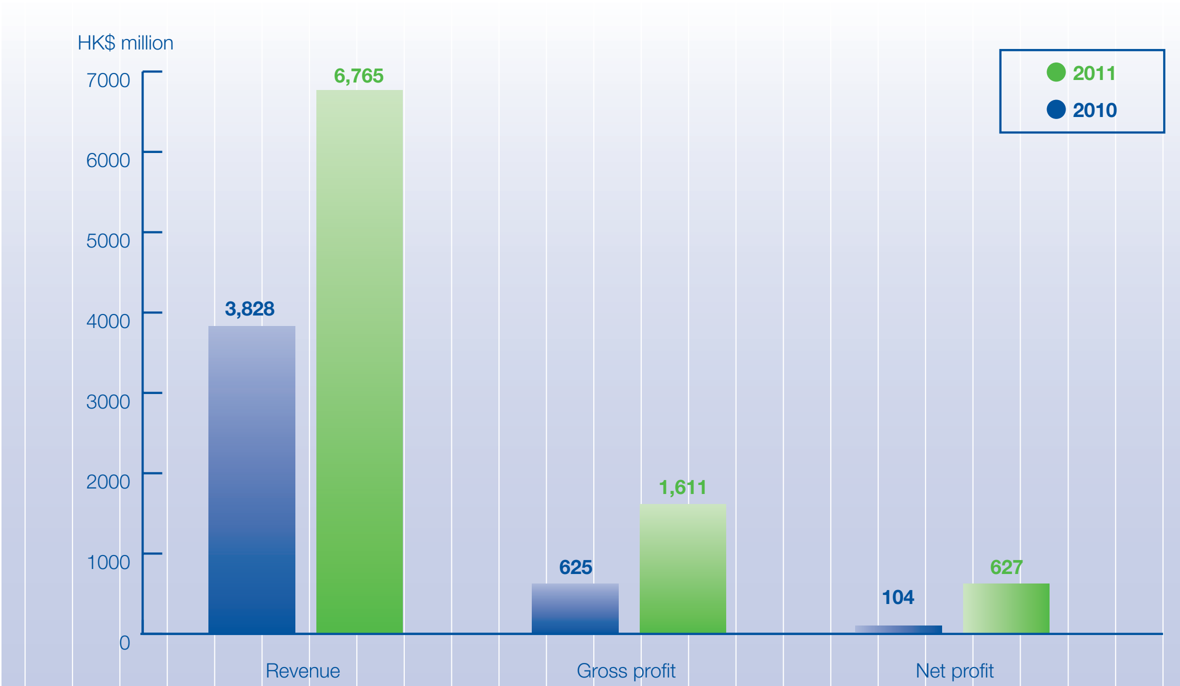
HONG KONG

Headquarter

mt: metric tonnes
m^2: metres square

Contents

Financial Highlights



	Unaudited six months ended 30 June		
	2011	2010	Change
Operating results (HK$ million)			
Revenue	**6,765**	3,828	77%
Gross profit	**1,611**	625	158%
Net profit attributable to owners of the Company	**627**	104	503%
Basic earnings per Share (HK cents)	**19.3**	4.5	329%

BOARD OF DIRECTORS

Liu Xiaoming, *Co-Chairman*
Xu Zhouwen, *Co-Chairman*
Wang Guifeng, *Executive Director*
Zhang Fusheng, *Executive Director*
Cheung Chak Fung, *Executive Director*
Lee Yuen Kwong*,
Independent Non-Executive Director
Chan Man Hon, Eric*,
Independent Non-Executive Director
Li Defa*,
Independent Non-Executive Director

* Audit Committee Members

COMPANY SECRETARY

Cheung Kin Po, *CPA Australia, HKICPA*

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1104
Admiralty Centre
Tower 1
18 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

LEGAL ADVISERS

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

The Agriculture Bank of China
6 Beian Road, Nanguan District
Changchun, Jilin Province
The People's Republic of China

China Construction Bank
No. 810 Xian Road
Changchun
Jilin Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
PO Box 484, HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.globalbiochem.com

STOCK CODE

00809

KEY DATES

Closure of register of members:
4 October 2011 to 6 October 2011
(both days inclusive)
Date of payment of interim dividend:
on or about 8 November 2011

Message to Shareholders

Dear Shareholders,

The State's healthy economic development, which was marked by a 9.6 per cent year-on-year growth in Gross Domestic Product, for the six months ended 30 June 2011, sustained a solid demand for and strong average selling prices of daily necessities, in particular those under the food and beverage category. Continuation of a relatively favourable market environment since the last quarter of 2010 had enabled the Group to maintain optimum capacity utilisation of its core businesses and to generate satisfactory return to its shareholders.

The surge in prices of corn, the key raw material for the Group's production, had been totally offset by improvement in the average selling prices of downstream products and the Group's enhancement in operation efficiency, and therefore; results in further improvement in gross profit level. The Group's gross profit increased by 158 per cent to approximately HK$1.6 billion. The gross profit margin of the Group rose by 8 percentage points to 24 per cent for the half-year period.

During the period under review, the Group reported a record high interim net profit of HK$627 million, representing an increase of 503 per cent when compared with that of the corresponding period in the previous year. The consolidated revenue reached HK$6.8 billion for the first half of 2011, representing an increase of 77 per cent when compared with that of the corresponding period in the previous year.

The Group's dominant position in the supply of lysine products enabled it to enjoy robust growth in both sales volume and average selling prices of the amino acid products. This along with the healthy performance of other downstream products had translated into encouraging results for the six months ended 30 June 2011.

Average selling prices of lysine products remained strong since the price rebounded in the last quarter of 2010. The surge in price continued in the low season in the second quarter of 2011 supported by a relatively solid demand growth in the market with a favourable gross profit margin for its lysine products during the six-month period. To meet the market demand, the Group leveraged fine-tuned production process and enhanced technology to expand its lysine output beyond the rated capacity of the Group's facilities. With a sales volume of 293,000 metric tonnes, which was 29 per cent higher than that of the corresponding period last year, the Group maintained its leading position in both the international and domestic lysine markets. During the period under review, on the back of a relatively stable global market, the Group continued to sell approximately one-third of its lysine output to overseas markets.

Performance of the Group's polyol chemicals had demonstrated signs of improvement. Utilisation rate of the polyol chemicals facilities had improved quarter by quarter to reach close to 70 per cent by the middle of the year. Widened application and market acceptance of the products had contributed to improved average selling prices and profit margin of the polyol chemicals business.

Earlier this year, the Group's Biopropylene Glycol, a category of polyol chemical products, had been granted a BioPreferred label by the United States Department of Agriculture. The accreditation signified the US authorities' recognition of the Group's effort in applying renewable resources in the production of biochemical materials, and served to reinforce the Group's marketing exercises in the environmentally conscious North American market.

Strong demand for downstream production had led to increased internal consumption of upstream corn starch. Sales of other corn refined products, on the other hand, displayed a steady growth following the inauguration of a new corn refinery in Xinglongshan, which provides the Group with an additional 600,000 metric tonnes of corn processing capacity.

The Group's sweeteners segment, which has been operated by a separate listed subsidiary, reported favourable results with surged average selling prices and enlarged sales volume of sweeteners.

As a continued effort of the Group to fine-tune its debt structure and to control its financial expenses, the Group issued Chinese Yuan ('CNY') 450 million Guaranteed Bonds in May 2011. The proceeds from the guaranteed bonds are being applied to repayment of the Group's indebtedness.

PROSPECTS

Mainland China's economy is expected to maintain a steady growth. The macro fiscal policies implemented under the "Twelve-five Year Plan" will drive domestic consumption further. This will in turn sustain strong demand and favourable average selling prices of daily necessities and various commodities.

Corn price in Mainland China is projected to have a mild upward adjustment for the rest of the year. However, the Group has already locked up its corn costs, with corn stock sufficient for its production up to the coming harvest season in October 2011.

Heavy consumption of livestock and strong demand growth of animal feed in Mainland China has fuelled the demand for lysine, which is an important feed additive ingredient for the animal feed sector. In the opinion of the management, the lysine industry is entering an upward cycle, which is expected to last for three to four years. With an 80 per cent share of the domestic market, the Group will be able to benefit from the boom of lysine market.

During the period under review, the Group made some major breakthroughs on the research and development of protein lysine products, namely, lysine 80% and lysine 75%, and improvement in the production processes which could not only reduce the cost of production, but also increase the fermentation yield. The Group has commenced modification of its lysine facilities. Upon completion of modification, the Group's annual lysine production capacity will substantially increase by 60 per cent from the current 500,000 metric tonnes to 800,000 metric tonnes. The Group believes the increase in lysine production capacity will further consolidate the Group's leading position in the lysine market.

The Group will also start to produce ammonia, a major raw material of lysine, at its Xinglongshan facility by the end of the year. It is expected that the annual production capacity of ammonia will reach 120,000 metric tonnes, which will provide the Group with sufficient ammonia for its lysine production. By directly involving in ammonia manufacturing, the Group will be further integrate the fermentation production processes and will therefore be able to reduce and control its production cost.

Supported by strong demand and strengthened production efficiency, the Group's polyol chemical plant's utilisation rate is expected to accelerate further which will result in continued improvement in this business for the full year.

Strong oil prices and improved market acceptance, on the other hand, will serve to push the average selling prices of these products.

In light of the favourable prospects of polyol chemicals, the Group has embarked on the construction of the second phase of the Group's polyol chemical plant with a production capacity of 500,000 metric tonnes. The project is scheduled for completion in 2012.

The year 2011 marks the 10th anniversary of the Group's listing on the Stock Exchange of Hong Kong Limited. In the first half of the year, the Group's interim net profit reached its record high. The Group is committed to keep maximise shareholders' value through continued enhancement of operation efficiency. Having weathered the business cycles of its industry and economic ups and downs over the past decade, the Group has emerged as a much stronger entity in terms of operation scale, market dominance and market capitalisation.

In the coming decade, the Group will adhere to its prudent development strategy and innovative approach in product and market expansion to ensure favourable return to its shareholders.

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

Despite economic uncertainties in the United States (the "U.S.") and certain European countries in the first half of 2011, economic growth in the PRC remains on track due to the combined effect of series of fiscal and monetary policies implemented by the government. During the Period, the Group's products reported a robust growth in both quantities sold and average selling price particularly for the lysine products. It is attributable to the increase in demands for feed and feed addictives for the livestocks industry. While strong focus has been placed on the PRC markets, the Group has still successfully attained a moderate growth in export sales. The Group generated revenue of approximately HK$1,364 million (2010: HK$999 million) from export sales representing an increase of HK$365 million as compared to the same period of last year and it was accounted for approximately 20% (2010: 26%) of the Group's total revenue.

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. The forthcoming harvest season of corn starting from mid-October is expected to yield rich harvest in global corn planting district, thus abundant supply of corn for the last quarter of 2011 and the first three quarters of 2012 is expected. In addition, 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. Nevertheless, the management expects the corn kernels price to remain stable at a relatively high level for a 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$100 a barrel in the first quarter of 2011 by the outbreak of protests in the Middle East and North Africa. The gradual dilution of such protests, along with the easing monetary policies in the U.S. and Japan caused the crude oil price to remain at around US$90 a barrel in the second quarter of 2011. Overall, the increase in consumption of various chemicals for downstream business and the relatively high crude oil price strengthened the operating environment of our polyol business during the first half of 2011. Despite global rout in equities markets caused by Standard & Poor's cut in the U.S. credit rating and acceleration in the Mainland China's inflation, the crude oil price has still been stabilised at over US$85 a barrel recently. It is forecasted that the improvement in the polyol chemicals segment will continue for the rest of 2011.

FINANCIAL PERFORMANCE

(Revenue: HK$6.8 billion (2010: HK$3.8 billion))
(Gross profit: HK$1,611 million (2010: HK$625 million))
(Net profit: HK$677 million (2010: HK$132 million))

The excellent financial performance was mainly due to the improvement of both sales volume and selling price of almost all products, which increased by in average, approximately 31% and 35% respectively as compared to the same period last year.

Upstream products segment

(Revenue: HK$1.8 billion (2010: HK$1.0 billion))
(Gross profit: HK$100 million (2010: HK$83 million))

During the Period, the average cost of corn kernels increased by approximately 21% to approximately HK$2,024 (2010: HK$1,666) per metric tonne while the average selling price of corn starch increased by approximately 26% to approximately HK$3,330 (2010: HK$2,644) per metric tonne, as compared to the same period last year.

Together with the increase of approximately 37% in sales volume of all upstream products, the revenue and gross profit increased approximately 71% and 21% respectively. The increase in sales volume was due to the additional capacity of corn refinery in Xinglongshan projects of 600,000 metric tonne since the second half of 2010. The gross profit margin was only approximately 6% (2010: 8%) due to the exacerbate loss incurred of approximately HK$147 million (2010: HK$44 million) by the upstream by-products during the Period. Although the selling price for those upstream by-products had increased by approximately 24%, 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$4.9 billion (2010: HK$2.7 billion))
(Gross profit: HK$1,506 million (2010: HK$539 million))

The revenue and gross profit of downstream products increased substantially by approximately 83% and 179% respectively during the first half of 2011, which were mainly attributable to the rises of sales volume and selling prices of almost all of the downstream products. The changes in sales volume, average selling price, average cost of goods sold, revenue and gross profit for the Period as compared to the same period last year are summarised as follows:

Changes of downstream product series for the Period

Product series	Sales Volume	Average selling price	Average cost of good sold	Revenue	Gross profit
Amino acids	29%	53%	28%	97%	199%
Polyol chemicals	31%	23%	10%	60%	228%
Modified Starch	23%	25%	17%	53%	117%
Corn sweeteners	23%	31%	26%	62%	91%
Overall	26%	45%	26%	83%	179%

FINANCIAL PERFORMANCE *(Continued)*

Downstream products segment *(Continued)*

Among those downstream products series, the revenue and gross profit of amino acids for the Period amounted to approximately HK$3.3 billion (2010: HK$1.7 billion) and approximately HK$1,198 million (2010: HK$401 million) respectively, which accounted for approximately 49% (2010: 44%) and approximately 74% (2010: 64%) of the Group's total revenue and total gross profit respectively. The outstanding performance of amino acids division during the Period was attributable to the significant increase of the price of meat and egg causing both demand and selling price to drastically surged during the Period. The sales volume of lysine of approximately 293,000 metric tonnes (2010: 228,000 metric tonnes) was initially beyond our full capacity, however, the management promptly reacted to the demand and enhanced the capacity by 20% to 600,000 metric tonnes through technological improvement on the conversion ratio of bacteria during the Period. In addition, the prominent increase in the average selling price by approximately 53% in compared with the same period last year, the gross profit increased by almost 2 times.

The modified starch division has been improving gradually since 2010 owing to the recovery of the price of paper. This division contributed a gross profit of approximately HK$23 million (2010: HK$10.7 million) to the Group during the Period.

The polyol chemicals division generated revenue of approximately HK$556 million (2010: HK$347 million) and contributed gross profit amounting to approximately HK$100 million (2010: HK$30 million). Such improvement was mainly benefited from the rebound of market prices of chemical products and crude oil price since 2010, which drove the sharp increase in selling price of those related reined chemical products. The average selling price of the polyol chemicals increased 23% as compared with the corresponding period last year. Moreover, no additional provision of closing inventories of polyol chemical by-products at 30 June 2011 (2010: HK$9 million) was made. As a result, the gross profit margin improved to approximately 18% (2010: 9%) during the Period. The sales volume increased by approximately 31% to approximately 62,000 metric tonnes (2010: 47,000 metric tonnes). In view of the stability of crude oil price and the image of green products, the Directors believe that our polyol chemicals division would continue to operate steadily and profitably in the second half of 2011 and in the foreseeable future.

Benefiting from the historical high sugar price, the operating environment of corn sweeteners was outstanding during the Period. The sales volume and revenue of sweeteners division increased by approximately 23% and approximately 62% respectively compared with the corresponding period last year. As a result, the gross profit from this division rose to approximately HK$184 million (2010: HK$97 million) during the Period.

Biological products segment

During the Period, the beef and cow business recorded a revenue and gross profit of approximately HK$66 million (2010: HK$102 million) and HK$5 million (2010: HK$2.6 million) respectively.

Product segment

The revenue and gross profit of upstream products accounted for approximately 26% (2010: 27%) and approximately 6% (2010: 13%) of the Group's total revenue and total gross profit respectively. Although there was no significant change in revenue on product segments, the percentage of gross profit contributed by the upstream products dropped because of the limited rise in selling price of upstream by-products other than corn starch.

FINANCIAL PERFORMANCE *(Continued)*

Operating expenses, finance costs and income tax expense

Due to the increase in sales amount and volume of the Group, the selling and distribution costs of approximately HK$343 million (2010: HK$225 million) increased by approximately 52% over the same period last year. Nevertheless, the ratio of such operating expenses over the Group's revenue decreased to approximately 5% (2010: 5.9%), resulting mainly from the enhancement in operating efficiency and enlarged turnover as the base of calculation.

The administrative expenses of approximately HK$177 million (2010: HK$110 million) increased by approximately 61% 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 control over such expenses.

The other operating expenses for the Period amounted to approximately HK$42 million (2010: HK$0.2 million) comprising of legal expenses of approximately HK$8 million (2010: HK$10 million) for the infringement litigation and settlement costs for one of the cases in Europe, the research and development expenses of approximately HK$7 million (2010: HK$9.5 million) and the provision for doubtful debts of approximately HK$27 million (2010: written back of HK$18 million) for the sake of prudent.

Owing to the enlarged borrowing portfolio and the rise of interest rate, the finance costs of approximately HK$236 million (2010: HK$181 million) increased by approximately 30% as compared to the corresponding period last year. In view of the improvement in operation, the ratio of finance costs to revenue decreased to approximately 3% (2010: 5%). However, it is anticipated that the heavy pressure from finance costs will remain endurable for the rest of 2011.

With the prevailing income tax laws and regulations, certain subsidiaries established in the PRC can still enjoy income tax relief. In view of the strong operating performance, income tax amounting to approximately HK$175 million (2010: HK$28 million) was charged for the Period. The overall effective tax rate of the Group increased slightly to approximately 21% (2010: 17%). The main reason for the increase was that there was withholding tax of approximately HK$12 million (2010: Nil) charged for the dividend declared and paid from certain PRC subsidiaries.

Profit shared by non-controlling shareholders

During the Period, profit shared by the non-controlling shareholders of Global Sweeteners Holdings Limited ("GSH") amounted to approximately HK$51 million (2010: HK$28 million). The sharp increase was mainly due to the performance rebound of sweeteners division and a dilution of the equity interest in GSH from approximately 67% to approximately 52% as a result of the offering of Taiwan Depositary Receipts ("TDR") by GSH in Taiwan in March 2010.

FINANCIAL RESOURCES AND LIQUIDITY

Net borrowing position

To support the strategy of maintaining high stock level of corn kernels, working capital requirement for the increase in operation for the Period and the capital expenditure on project expansion in Xinglongshan of Changchun, the total borrowings as at 30 June 2011 maintained at approximately HK$8.8 billion (31 December 2010: HK$8.4 billion). The increase was mainly due to the effect of the appreciation of RMB translated to HK$ for reporting purpose during the Period. However, the net borrowings decreased to approximately HK$6.0 billion (31 December 2010: HK$6.6 billion). The decrease in the net borrowings was mainly due to the strong cash inflows generated from the satisfactory operation during the Period and the introduction of an investor for the Xinglongshan project in May 2011, which resulted in an increase in cash and cash equivalents of approximately HK$1 billion in compared with the cash level as at 31 December 2010.

Structure of interest bearing borrowings

As at 30 June 2011, the Group's bank and other borrowings amounted to approximately HK$8.8 billion (31 December 2010: HK$8.4 billion), of which approximately 4% (31 December 2010: 7%) 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 6.6% (2010: 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 62% (31 December 2010: 50%), approximately 19% (31 December 2010: 34%) and approximately 19% (31 December 2010: 16%), respectively. The changes were mainly due to the reason that some of the two years' loan borrowed in 2010 will be repayable in 2012, the issuance of RMB450 million 3 years guaranteed bonds in May 2011 and the entering into of a series of ten years' loan of RMB1.4 billion for Xinglongshan project, which RMB 200 million was drawn during the Period. In view of the continual support from existing bankers, no material pressure in obtaining continuous financing resource is expected. With the start of the issuance of RMB450 million 3 years guaranteed bonds, the management is keen to improve the debts structure of the Group in the near future.

Turnover days, liquidity ratios and gearing ratios

Normally, the Group allows credit terms to established customers ranging form 30 to 90 days. During the Period, trade receivables turnover days improved to approximately 60 days (31 December 2010: 75 days) due to better credit controls by the Group. Meanwhile, the trade creditors turnover days remained at similar level of approximately 39 days (31 December 2010: 36 days) because the velocity of the payment to account payables has been stabilised by the Group though the supply of materials was relative tight for the Period. On the other hand, the strong performance of the Group drove the inventory turnover faster and as a result, the inventory turnover days decreased to approximately 167 days (31 December 2010: 197 days). To avoid fluctuation and uncertain future pressure on corn kernels and other raw materials costs, the Group enhanced stock level reasonably to approximately HK$4.7 billion (31 December 2010: HK$4.2 billion) during the Period.

FINANCIAL RESOURCES AND LIQUIDITY *(Continued)*

Turnover days, liquidity ratios and gearing ratios *(Continued)*

Despite the increase of short term interest bearing borrowings of approximately HK$1.3 billion when compared to the position as at 31 December 2010, the current ratio and the quick ratio remained at similar level of approximately 1.4 (31 December 2010: 1.5) and 0.8 (31 December 2010: 0.8) respectively. It is because the increase in short term borrowings was offset by the increase of operating cash flow, high level of inventories and accounts receivable. Moreover, due to the increase in cash and cash equivalents, 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 improved significantly to approximately 56% (31 December 2010: 69%) and to approximately 67% (31 December 2010: 76%) 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 decreased to approximately 39% (31 December 2010: 42%) and 82% (31 December 2010: 87%) respectively. In view of the continual support from existing bankers, the Group can obtain continuous financing resource for its operation.

Foreign exchange exposure

Although most of the operations were carried out in the PRC in which transactions were denominated in RMB, the Directors consider that there is no unfavorable exposure to foreign exchange fluctuation and there will be sufficient cash resources denominated in Hong Kong dollars for the repayment of borrowings and future dividends. During the Period, no significant financial instrument was used for hedging purposes and no significant hedging instrument was outstanding as at 30 June 2011.

ISSUANCE OF RMB 450,000,000 7% GUARANTEED BONDS DUE 2014

As announced by the Company on 6 May 2011, the Company and certain of its subsidiaries entered into a subscription agreement with The Hongkong and Shanghai Banking Corporation Limited (as sole lead arranger and sole bookrunner) in connection with the issue of RMB450,000,000 7% guaranteed bonds ("Bonds") due 2014 ("Bonds Issue"). The Bonds Issue was completed in May 2011. The net proceeds of the Bonds Issue, after deducting commission and expenses payable by the Company, amounted to approximately RMB441,600,000, will predominantly be used by the Company for repayment of existing indebtedness of the Group. The Bonds have been listed on the Singapore Exchange Securities Trading Limited.

DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

As announced by the Company on 23 May 2011, China Bio-chem Group Limited ("China Bio-chem Group"), China Bio-chem Investments Limited ("China Bio-chem Investments") and Changchun Dacheng Bio-Tech Development Co., Ltd. ("Dacheng Bio-Tech"), all being wholly-owned subsidiaries of the Company, entered into a capital increase agreement ("Capital Increase Agreement") on 20 May 2011 with Changchun Hongcheng Plant Sugar Development Limited (the "Investor"), pursuant to which the Investor agreed to make the first capital contribution and the second capital contribution in the amount of RMB300 million and RMB300 million in cash to the registered capital of Dacheng Bio-Tech respectively ("Capital Contribution"). The Capital Contribution has been completed and RMB600 million has been injected into Dacheng Bio-Tech in June 2011, and as a result, the equity interest held by the Group in Dacheng Bio-Tech was diluted from 100% to 70.96%. Such dilution of interest in Dacheng Bio-Tech constituted a deemed disposal of Dacheng Bio-Tech under Rule 14.29 of the Listing Rules. Dacheng Bio-Tech continues to be a subsidiary of the Company upon completion of the Capital Contribution.

DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY *(Continued)*

Under the Capital Increase Agreement, China Bio-chem Investments has agreed to grant to the Investor a put option (the "Put Option"), pursuant to which the Investor shall have the right, at any time during the three calendar months commencing from the date falling on 22nd calendar month after the date of the Capital Increase Agreement, to request China Bio-chem Investments to acquire from the Investor all (but not part) the Investor's interests in the registered capital of Dacheng Bio-Tech then held by the Investor at the time of exercise of the Put Option (the "Put Interests"), for cash at the consideration (the "Put Option Exercise Price") representing 125% of the amount of the Put Interests.

Further, under the Capital Increase Agreement, China Bio-chem Investments has agreed to grant to the Investor a call option (the "Call Option"), pursuant to which, if the Put Option has not been exercised by the Investor or if all the conditions for completion of the exercise of the Put Option cannot be satisfied or waived within the prescribed period in accordance with the terms of the Capital Increase Agreement, China Bio-chem Investments shall have the right, at any time during the six calendar months commencing from the date falling on the 25th calendar month after the date of the Capital Increase Agreement, to request the Investor to sell to China Bio-chem Investments all (but not part) the Investor's interests in the registered capital of Dacheng Bio-Tech then held by the Investor at the time of exercise of the Call Option (the "Call Interests"), for cash at the consideration (the "Call Option Exercise Price") representing 125% of the amount of the Call Interests.

As the applicable percentage ratios of the Capital Contribution (and the deemed disposal) and the highest possible monetary value of the Call Option Exercise Price and the Put Option Exercise Price were more than 5% but less than 25%, the Capital Increase Agreement (and the deemed disposal) and the grant of the Call Option and Put Option constituted discloseable transactions of the Company under Rule 14.06 of the Listing Rules.

PUT OPTION

The Directors consider that the Put Option held by the Investor contains an unavoidable obligation for the Group to purchase the equity interest of Dacheng Bio-Tech for cash, which gives arise to a financial liability of HK$724 million. Such financial liability is initially recognised at the present value of the redemption amount and is subsequently stated at amortised cost. In addition, the Directors have adopted an accounting policy to account for such type of transaction. This approach takes the view that the non-controlling interest continues to be recognised within equity until the Put Option is exercised.

EVENT AFTER THE REPORTING PERIOD

As announced by the Company on 25 July 2011, an explosion occurred at a workshop in the production plant of the Company's subsidiary, Changchun GBT Bio-Chemical Co., Ltd on 24 July 2011. The explosion has caused damage to the affected workshop, as well as the windows and properties of the buildings nearby. The main part of the production facilities of Changchun GBT Bio-Chemical Co., Ltd. was not affected and no death or serious injuries was caused by the explosion. Given that no other production facilities of the Group were affected by the explosion, the management considered that the explosion would not have any material impact on the operations and financial position of the Group. The management has already taken steps to enhance the safety level of all production facilities of the Group by engaging safety experts to review the safety manual and strengthening safety training for all staffs.

PROSPECT

The global economy is most likely to experience further uncertainties and fluctuations after the drop of the U.S. credit rating by Standard & Poor due to the adoption of contraction policies by the U.S. and European countries to reduce debts, and possible slow growth of economy in the U.S. and European countries. The management expects further challenges for the rest of 2011 and is prepared to react upon any changing environment. In addition, a record high interim profit has been achieved in the first half of 2011, highlighting the management's dedication and abilities in rising up to challenges of increased costs brought about by global inflation and slow global economic growth.

The Group will strive to enlarge its market share and increase diversity in its product mix, as well as enhancing its capability in developing high value-added downstream products through research, development and strategic business alliances with prominent international market leaders. It is forecasted that the PRC will continue to experience a stable growth in the foreseeable future, and the management pledges to endeavor to attain maximum return and wealth to the Shareholders through maintaining current business and managing new investments prudently.

Polyol project

The Group has successfully hewed out the wide range of usages and applications for the polyol chemicals. The utilisation rate of polyol production will continue to improve in light of market recovery and efforts in exploring new markets. The second phase of polyol chemicals facilities in Xinglongshan of Changchun is currently under construction and is expected to be completed in 2012. The Board believes this expansion of capacity of polyol chemicals in Xinglongshan will precipitate polyol chemicals business to become the main growth driver of the Group in near future. Going forward, the Board will take prudent assessment of the market conditions before undertaking any further expansion plan in the development of the polyol chemicals.

Amino Acids

With the continuous rise in living standards in the PRC and robust demand for lysine products, Global Bio-chem has been striving to increase its lysine production capacity in order to cater for the market demand.

The Group has attained some major breakthroughs during the Period on the research and development of new lysine products, namely, lysine 80% and lysine 75%, as well as improvements in its production process which could substantially reduce production costs. The Group has commenced construction work of modification of its production facilities, which will result in a substantial increase of 60% in its annual production capacity of lysine products from the current 500,000 metric tonnes to 800,000 metric tonnes.

The modified production facilities will allow production of different types of lysine products, including the newly developed lysine 80% and lysine 75%, as well as the Group's existing lysine products, namely, lysine 98%, lysine 70% and lysine 65%, and cost of production will be substantially reduced with the use of the newly developed technology. It is estimated that the modification work will cost approximately RMB50 million and will be completed in November 2011.

The Group will also start producing ammonia, one of the major raw materials of lysine, at its Xinglongshan facility after October 2011. It is expected that the annual production capacity of ammonia will reach 120,000 metric tonnes, which will provide the Group with sufficient ammonia for its lysine production. By directly involving in ammonia manufacturing, the Group will be able to lower its production cost.

PROSPECT *(Continued)*

Amino Acids *(Continued)*

Success in our industry is a constant process of invention and re-invention. The Group has always placed immense focus on research and development. As the world's largest lysine products supplier, we will maintain our leading position through capacity expansion and continual focus on research and development. We believe the increase in lysine production capacity will further consolidate the Group's leading position in the lysine market

STATUS OF INFRINGEMENT LITIGATIONS

The Company and certain of its subsidiaries are currently proposed respondents in certain litigations in Europe in relation to the alleged infringement of registered patents applicable in the production of lysine. Among these litigations, the Hague District Court, on 22 August 2007, handed down its judgment ("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 of the Judgment for production of 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 2011.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2011, 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.5 cents per share in respect of the six months ended 30 June 2011 to the shareholders whose names appear on the register of members of the Company in Hong Kong on 6 October 2011.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest			
Name of director	*Notes*	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Approximate percentage of the Company's issued share capital**
Mr. Liu Xiaoming	*1*	19,090,400	489,048,000	508,138,400	15.60
Mr. Xu Zhouwen	*2*	24,155,600	295,456,000	319,611,600	9.81
Ms. Wang Guifeng	*3*	3,000,000	–	3,000,000	0.09
Mr. Zhang Fusheng	*4*	3,000,000	–	3,000,000	0.09
Mr. Cheung Chak Fung	*5*	3,049,325	–	3,049,325	0.09

Long positions in ordinary shares of Global Sweeteners Holdings Limited:

Name of director	*Note*	**Number of shares held**	**Approximate percentage of the issued share capital of GSH**
Mr. Cheung Chak Fung	*6*	10,000	–

Notes:

1. 489,048,000 shares are owned by LXM Limited, a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming.

2. 295,456,000 shares are owned by Crown Asia Profits Limited, a company incorporated in the BVI. The entire issued share capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes: (Continued)

3. Among these interests, 1,500,000 of which are ordinary shares held by Ms. Wang Guifeng as beneficial owner and 1,500,000 of which are share options held by Ms. Wang Guifeng.

4. Among these interests, 1,500,000 of which are ordinary shares held by Mr. Zhang Fusheng as beneficial owner and 1,500,000 of which are share options held by Mr. Zhang Fusheng.

5. Among these interests, 1,549,325 of which are ordinary shares held by Mr. Cheung Chak Fung as beneficial owner and 1,500,000 of which are share options held by Mr. Cheung Chak Fung.

6. These shares are held by the spouse of Mr. Cheung Chak Fung. Under the SFO, Mr. Cheung is deemed, or taken to be, interested in all shares which his spouse is deemed, or taken to be interested in for the purposes of the SFO.

Save as disclosed above, as at 30 June 2011, none of the Directors and chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions:

Name	*Notes*	**Number of ordinary shares held**	**Percentage of the Company's issued share capital**
LXM Limited	*1*	489,048,000	15.02
Crown Asia Profits Limited	*2*	295,456,000	9.07
Mr. Kong Zhanpeng	*3*	260,176,000	7.99
Mr. Wang Tieguang	*4*	254,369,920	7.81
Hartington Profits Limited	*3*	241,920,000	7.43
Rich Mark Profits Limited	*4*	241,920,000	7.43

Notes:

1. The entire issued capital of LXM Limited is beneficially owned by Mr. Liu Xiaoming, an executive director. Mr. Liu Xiaoming is the sole director of LXM Limited.

2. The entire issued capital of Crown Asia Profits Limited is beneficially owned by Mr. Xu Zhouwen, an executive director. Mr. Xu Zhouwen is the sole director of Crown Asia Profits Limited.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

Notes: (Continued)

3. These shares were held as to 18,256,000 shares by Mr. Kong Zhanpeng, a former director of the Company and an executive director of Global Sweeteners Holdings Limited, a subsidiary of the Company whose shares are listed on the Stock Exchange and 241,920,000 shares by Hartington Profits Limited, a company incorporated in the BVI. The entire issued capital of Hartington Profits Limited is beneficially owned by Mr. Kong Zhanpeng.

4. These shares were held as to 12,449,920 shares by Mr. Wang Tieguang, a former director of the Company and 241,920,000 shares by Rich Mark Profits Limited, a company incorporated in the BVI. The entire issued share capital of Rich Mark Profits Limited is beneficially owned by Mr. Wang Tieguang. Mr. Wang Tieguang is the sole director of Rich Mark Profits Limited.

Save as disclosed above, as at 30 June 2011, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors and chief executive's interests and short positions in shares and underlying shares" above, had interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE

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

In the opinion of the Directors, the Company has complied throughout the Period with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules.

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

The Company has adopted 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. Based on specific enquiry of the Directors, 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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND MODEL CODE *(Continued)*

Audit Committee

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing super vision 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.

Remuneration Committee

During the Period, the members of the Remuneration Committee comprise two independent non-executive Directors, Mr. Lee Yuen Kwong and Mr. Chan Man Hon, Eric and one executive Director, Mr. Cheung Chak Fung. Mr. Chan Man Hon, Eric is the chairman of the Remuneration Committee. The duties of the Remuneration Committee, among others, are to make recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme"), which was adopted pursuant to a resolution passed at a shareholders' meeting held on 3 September 2007, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

Eligible participants of the Scheme include the following:

(i) any employee or proposed employee (whether full time or part time) of the Group or any entity ("Invested Entity") in which any member of the Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

SHARE OPTION SCHEME *(continued)*

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

(viii) any other group or class or participant who has contributed or may contribute by way of joint venture, business alliance or other business arrangement to the growth of the Group.

And, for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on 3 September 2007 ("General Scheme Limit"). The Company may renew the General Scheme Limit with shareholders' approval provided that each such renewal may not exceed 10% of the Shares in issue as at the date of the shareholders' approval. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The maximum number of shares issuable upon exercise of the options which may be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant (other than a substantial shareholder or an independent non-executive director of the Company as explained below) in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in general meeting (with such participant and his associates abstaining from voting).

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Shares at the date of grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer of the grant of share options but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination under the Scheme.

The subscription price for the Shares under the Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme of the Company during the Period:

	Number of share options							Price of Company's shares			
Participants	At 1 January 2011	Granted during the Period	Exercised during the Period	At 30 June 2011	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options *HK$*	Immediately before the grant date *HK$*	Weighted average closing price immediately before the exercise date *HK$*	At exercise date of options *HK$*
Wang Guifeng	–	3,000,000	(1,500,000)	1,500,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	1.89	1.97
Zhang Fusheng	–	3,000,000	(1,500,000)	1,500,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	1.89	1.97
Cheung Chak Fung	–	3,000,000	(1,500,000)	1,500,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	1.89	1.97
Employees	–	15,400,000	(2,100,000) (3,500,000)	9,800,000	21 January 2011	21 January 2011 to 20 January 2016	–	1.24	1.24	1.96 2.09	1.93 1.89
	–	24,400,000	(10,100,000)	14,300,000							

No options to subscribe for shares of the Company under the Scheme have been lapsed or cancelled during the Period.

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY

GSH operates a share option scheme (the "GSH Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of GSH and its subsidiaries (the "GSH Group"). The GSH Scheme became effective on 3 September 2007 and, unless otherwise cancelled or amended, will remain in force 10 years from that date.

Eligible participants of the GSH Scheme include the following:

(i) any employee of proposed employee (whether full time of part time) of the GSH Group or any entity ("Invested Entity") in which any member of the GSH Group holds any equity interest;

(ii) any non-executive director (including independent non-executive directors) of the GSH Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the GSH Group or any Invested Entity;

(iv) any customer of the GSH Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the GSH Group or any Invested Entity;

(vi) any shareholder of any member of the GSH Group or any Invested Entity or any holder of any securities issued by any member of the GSH Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the GSH Group or any Invested Entity; and

SHARE OPTION SCHEME OF THE COMPANY'S SUBSIDIARY *(Continued)*

(viii) any other groups or classes or participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of the GSH Group.

And for the purposes of the GSH Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants.

The maximum number of unexercised share options currently permitted to be granted under the GSH Scheme is an amount equivalent, upon their exercise, to 30% of the shares of GSH in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of GSH in issue at any time. Any further grant of share options in excess of this limit is subject to GSH shareholders' approval in a general meeting.

Share options granted to substantial shareholder of GSH, or an independent non-executive director of GSH or any of their respective associates, in excess of 0.1% of the shares of GSH in issue at any time or with an aggregate value (based on the price of GSH's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to GSH shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of GSH, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of grant of the options subject to the provisions for early termination under the Scheme.

The exercise price of share options is determinable by the directors of GSH, but may not be less than the higher of (i) the Stock Exchange closing price of the shares of GSH in the date of offer of the share options; and (ii) the average Stock Exchange closing price of the GSH's shares for the five trading days immediately preceding the date of offer.

The following share options were outstanding under the GSH Scheme during the Period:

	Number of share options							Price of GSH's shares			
Participants	At 1 January 2011	Lapsed during the period	Exercised during the period	At 30 June 2011	Date of grant of share options	Exercise period of share options	Vesting period of share options	Exercise price of share options *HK$*	Immediately before the grant date *HK$*	Weighted average closing price immediately before the exercise date *HK$*	At exercise date of options *HK$*
Lee Chi Yung	3,000,000	–	–	3,000,000	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	N/A	N/A
Employees	330,000	–	(330,000)	–	7 July 2008	7 July 2008 to 6 July 2011	–	1.59	1.63	1.71	1.84
	3,330,000		(330,000)	3,000,000							

No options to subscribe for shares of GSH under the GSH Scheme have been granted or cancelled during the Period.

ERNST & YOUNG
安 永

To the board of directors of Global Bio-chem Technology Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 44 which comprises the condensed consolidated statement of financial position as at 30 June 2011 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 August 2011

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June 2011 (Unaudited) *HK$'000*	 2010 (Unaudited) *HK$'000*
REVENUE			
Sales of goods	*3*	**6,765,253**	3,827,658
Cost of sales		**(5,154,025)**	(3,203,047)
Gross profit		**1,611,228**	624,611
Other income	*4*	**39,163**	50,345
Selling and distribution costs		**(342,935)**	(225,278)
Administrative expenses		**(177,365)**	(109,619)
Other expenses		**(42,367)**	(220)
Finance costs	*5*	**(235,615)**	(180,750)
Share of profits of jointly controlled entities		**399**	545
PROFIT BEFORE TAX	*6*	**852,508**	159,634
Income tax expense	*7*	**(175,413)**	(27,586)
PROFIT FOR THE PERIOD		**677,095**	132,048
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange difference on translation of financial statements of operations outside Hong Kong		**321,316**	(253)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**998,411**	131,795
PROFIT ATTRIBUTABLE TO:			
Owners of the Company		**626,504**	104,087
Non-controlling interests		**50,591**	27,961
		677,095	132,048
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company		**922,748**	103,957
Non-controlling interests		**75,663**	27,838
		998,411	131,795
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic	*8*	**HK19.3 cents**	HK4.5 cents
— Diluted	*8*	**HK19.3 cents**	N/A

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

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**10,160,697**	9,678,118
Prepaid land premiums		**679,182**	650,284
Deposits paid for acquisition of property, plant and equipment		**506,085**	369,345
Goodwill		**348,428**	348,428
Intangible assets		**27,240**	27,684
Investments in jointly controlled entities	11	**100,297**	97,372
Investment in an associated entity		**2,381**	—
Breeding biological assets		**9,003**	7,535
Deferred tax assets		**27,212**	17,513
Total non-current assets		**11,860,525**	11,196,279
CURRENT ASSETS			
Inventories		**4,747,463**	4,185,172
Trade and bills receivables	12	**2,221,149**	1,920,988
Prepayments, deposits and other receivables		**925,940**	790,240
Trading biological assets		**2,162**	1,947
Due from jointly controlled entities	21(b)	**4,868**	3,335
Tax recoverable		**2,208**	2,469
Financial assets at fair value through profit or loss		**32,802**	—
Pledged deposits		**107,143**	55,172
Cash and cash equivalents		**2,656,559**	1,679,496
Total current assets		**10,700,294**	8,638,819
CURRENT LIABILITIES			
Trade and bills payables	13	**1,110,933**	758,320
Other payables and accruals		**861,454**	760,911
Interest-bearing bank loans and other borrowings	14	**5,452,693**	4,153,113
Due to jointly controlled entities	21(b)	**—**	17,299
Tax payable		**134,455**	84,296
Dividend payable		**32,464**	—
Total current liabilities		**7,591,999**	5,773,939
NET CURRENT ASSETS		**3,108,295**	2,864,880
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,968,820**	14,061,159

Condensed Consolidated Statement of Financial Position

30 June 2011

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	14	**2,818,714**	4,224,425
Guaranteed bonds	15	**525,744**	—
Put option	16	**724,025**	—
Deferred income		**36,260**	36,543
Deferred tax liabilities		**141,095**	127,316
Total non-current liabilities		**4,245,838**	4,388,284
Net assets		**10,722,982**	9,672,875
EQUITY			
Equity attributable to owners of the Company			
Issued capital	17	**325,649**	324,639
Reserves		**8,600,729**	8,341,021
Proposed final dividend		**—**	32,464
Proposed interim dividend	9	**48,847**	—
		8,975,225	8,698,124
Non-controlling interests		**1,747,757**	974,751
Total equity		**10,722,982**	9,672,875

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company												
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Other reserve HK$'000	Statutory reserve fund HK$'000	Put option reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	324,639	2,406,374*	1,570*	275,814*	41,794*	311,623*	–*	1,020,844*	4,283,002*	32,464	8,698,124	974,751	9,672,875
Profit for the period	–	–	–	–	–	–	–	–	626,504	–	626,504	50,591	677,095
Other comprehensive income for the period:													
Exchange realignment	–	–	–	–	–	–	–	294,924	–	–	294,924	23,865	318,789
Share of other comprehensive income of jointly controlled entities	–	–	–	–	–	–	–	1,320	–	–	1,320	1,207	2,527
Total comprehensive income for the period	–	–	–	–	–	–	–	296,244	626,504	–	922,748	75,663	998,411
Deemed disposal of a subsidiary	–	–	–	–	101,193	–	–	(20,650)	–	–	80,543	633,743	714,286
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	62,920	62,920
Equity-settled share option arrangement	1,010	15,049	4,655	–	–	–	–	–	–	–	20,714	–	20,714
Equity-settled share option arrangement of a subsidiary	–	–	(154)	–	–	–	–	–	–	–	(154)	680	526
Put option reserve *(note 16)*	–	–	–	–	–	–	(714,286)	–	–		(714,286)	–	(714,286)
Declared final 2010 dividend	–	–	–	–	–	–	–	–	–	(32,464)	(32,464)	–	(32,464)
Proposed interim 2011 dividend	–	–	–	–	–	–	–	–	(48,847)	48,847	–	–	–
At 30 June 2011 (Unaudited)	325,649	2,421,423*	6,071*	275,814*	142,987*	311,623*	(714,286)*	1,296,438*	4,860,659*	48,847	8,975,225	1,747,757	10,722,982

* These reserve accounts comprise the consolidated reserves of the Group of HK$8,600,729,000 (31 December 2010 (audited): HK$8,341,021,000) on the condensed consolidated statement of financial position.

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve fund HK$'000	Other reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	231,885	1,820,205	1,667	275,814	269,103	–	857,075	4,026,129	7,481,878	556,785	8,038,663
Profit for the period	–	–	–	–	–	–	–	104,087	104,087	27,961	132,048
Other comprehensive income for the period:											
Exchange realignment	–	–	–	–	–	–	(130)	–	(130)	(123)	(253)
Total comprehensive income for the period	–	–	–	–	–	–	(130)	104,087	103,957	27,838	131,795
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	43,295	43,295
Equity-settled share option arrangement	–	–	(95)	–	–	–	–	43	(52)	255	203
Dividend paid to non–controlling shareholders	–	–	–	–	–	–	–	–	–	(5,012)	(5,012)
Deemed disposal arising from Taiwan Depositary Receipts ("TDRs") offering by a subsidiary	–	–	–	–	–	41,794	–	–	41,794	324,801	366,595
At 30 June 2010 (Unaudited)	231,885	1,820,205	1,572	275,814	269,103	41,794	856,945	4,130,259	7,627,577	947,962	8,575,539

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash flows from/(used in) operating activities	**729,205**	(798,597)
Net cash flows used in investing activities	**(705,854)**	(646,967)
Net cash flows from financing activities	**684,114**	1,642,164
NET INCREASE IN CASH AND CASH EQUIVALENTS	**707,465**	196,600
Cash and cash equivalents at beginning of period	**1,679,496**	1,617,911
Effect of foreign exchange rate changes, net	**269,598**	(253)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,656,559**	1,814,258
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,499,961**	1,641,434
Non-pledged time deposits with original maturity of less than three months when acquired	**156,598**	172,824
	2,656,559	1,814,258

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Global Bio-chem Technology Group Company Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") for the six months ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors of the Company (the "Directors") on 30 August 2011.

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 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 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").

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 2010. The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

The adoption of these new and revised HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group's interim condensed consolidated financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

Basis of preparation *(Continued)*

Significant accounting policies *(Continued)*

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:

HKAS 1 (Revised)	*Presentation of Financial Statements*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interest in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013

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.

3. SEGMENT INFORMATION *(Continued)*

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 such 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									
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*	**2011 (Unaudited) *HK$'000***	2010 (Unaudited) *HK$'000*	**2011 (Unaudited) *HK$'000***	2010 (Unaudited) *HK$'000*	**2011 (Unaudited) *HK$'000***	2010 (Unaudited) *HK$'000*	**2011 (Unaudited) *HK$'000***	2010 (Unaudited) *HK$'000*
Revenue:										
External customer	**1,782,586**	1,045,291	**4,916,477**	2,680,818	**66,190**	101,549	**–**	–	**6,765,253**	3,827,658
Intersegment	**1,137,515**	1,143,771	**–**	–	**–**	–	**(1,137,515)**	(1,143,771)	**–**	–
Total revenue	**2,920,101**	2,189,062	**4,916,477**	2,680,818	**66,190**	101,549	**(1,137,515)**	(1,143,771)	**6,765,253**	3,827,658
Segment results	**193,811**	158,910	**893,371**	144,579	**3,626**	1,665	**–**	–	**1,090,808**	305,154
Unallocated revenue									**38,781**	50,345
Unallocated expenses									**(41,466)**	(15,115)
Finance costs									**(235,615)**	(180,750)
Profit before tax									**852,508**	159,634
Income tax expense									**(175,413)**	(27,586)
Profit for the period									**677,095**	132,048

(b) Geographical information

	Mainland China		Regions other than Mainland China		Consolidated	
	Six months ended 30 June					
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*	**2011 (Unaudited) *HK$'000***	2010 (Unaudited) *HK$'000*	**2011 (Unaudited) *HK$'000***	2010 (Unaudited) *HK$'000*
Revenue:						
External customers	**5,401,573**	2,828,779	**1,363,680**	998,879	**6,765,253**	3,827,658

4. REVENUE AND OTHER INCOME

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

An analysis of other income is as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**2,228**	1,160
Sales of scraps and raw materials	**31,675**	23,254
Exchange gains, net	**—**	3,386
Government grants*	**4,127**	19,758
Others	**1,133**	2,787
	39,163	50,345

* 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	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Interest on bank loans		**260,365**	205,045
Finance costs for discounted bills receivable		**10,351**	4,947
Interest on guaranteed bonds	*15*	**4,688**	—
Accretion of interest on financial liability at amortised cost	*16*	**9,739**	—
Less: Interest capitalised		**(49,528)**	(29,242)
		235,615	180,750

6. PROFIT BEFORE TAX

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

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Raw materials and consumables used		**4,011,885**	2,719,095
Provision for legal expenses		**8,207**	10,364
Depreciation	*10*	**283,650**	240,458
Amortisation of prepaid land premiums and intangible assets		**11,921**	9,084
Impairment/(write-back) of trade receivables and prepayments, deposits and other receivables	*12*	**29,552**	(19,879)
Impairment of inventories to net realisable value#		**25,163**	25,653

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

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong	**(4,000)**	1,000
Current — Mainland China:		
Income tax	**162,895**	27,015
Withholding tax	**12,438**	—
Deferred	**4,080**	(429)
Tax charge for the period	**175,413**	27,586

Hong Kong profits tax was provided in the Period at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during that period.

The statutory tax rate for all subsidiaries in Mainland China is 25% for the six months ended 30 June 2011 (2010: 25%).

Four (2010: five) subsidiaries were subject to tax concessions in 2011. They were granted tax concessions by the State Tax Bureau in accordance with the Enterprise Income Tax Law of the People's Republic of China (the "EITL") and the corresponding transitional tax concession policy under which these subsidiaries would be exempted from corporate income tax for the first two profitable years and subject to 50% of the applicable tax rate for the following three profitable years.

7. INCOME TAX EXPENSE *(Continued)*

Five (2010: five) subsidiaries, which were granted Technologically Advanced Enterprise status and were entitled to a lower applicable tax rate under Article 75 of the Detailed Rules and Regulations for the Implementation of the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, shall be gradually transitioned to the new statutory tax rate within a period of five years. As a result, these subsidiaries, which enjoyed the corporate income tax rate of 15% in 2007, are now subject to the corporate income tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the consolidated net profit from ordinary activities attributable to ordinary equity holders of the Company for the Period of approximately HK$626,504,000 (Six months ended 30 June 2010: net profit of HK$104,087,000) and the weighted average number of ordinary shares of 3,247,465,407 (six months ended 30 June 2010: 2,318,849,403) in issue during the Period.

The calculation of the diluted earnings per share is based on the profit for the Period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

	Six months ended 30 June	
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**626,504**	104,087

	Number of shares	
	30 June 2011	30 June 2010
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	**3,247,465,407**	2,318,849,403
Effect of dilution — weighted average number of ordinary shares:		
Share options	**3,452,366**	—
	3,250,917,773	2,318,849,403

9. DIVIDEND

	30 June 2011 (Unaudited) HK$'000	30 June 2010 (Unaudited) HK$'000
Proposed interim — HK1.5 cents (2010: Nil) per ordinary share	**48,847**	—

10. PROPERTY, PLANT AND EQUIPMENT

	2011 (Unaudited) HK$'000	2010 (Audited) HK$'000
At 1 January 2011/1 January 2010	**9,678,118**	9,110,180
Additions	**437,081**	912,091
Exchange realignment	**331,841**	200,352
Disposals	**(2,693)**	(20,296)
Depreciation	**(283,650)**	(524,209)
At 30 June 2011/31 December 2010	**10,160,697**	9,678,118

11. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Share of net assets	**60,297**	57,372
Loan to a jointly controlled entity	**40,000**	40,000
	100,297	97,372

The long term loan of HK$40 million to a jointly controlled entity represents a quasi-equity loan which is stated at cost less impairment. The long term loan of HK$40 million was unsecured, interest-free and will be repayable in 2101 or upon the liquidation, winding-up or dissolution of the jointly controlled entity, whenever is earlier.

The Group's trade receivable balances due from the jointly controlled entities are disclosed in note 21(b) to the interim condensed consolidated financial statements.

11. INVESTMENT IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Particulars of the jointly controlled entities are as follows:

Name	Nominal value of paid-up share/ registered capital	Place of incorporation/ establishment and operations	Percentage of Ownership interest	Percentage of Voting power and profit sharing	Principal activities
Global Bio-chem-Cargill (Holdings) Limited	HK$1,000	Hong Kong	50	50	Investment holding
GBT-Cargill High Fructose (Shanghai) Co., Ltd.* ("Cargill Shanghai")	US$3,000,000	PRC/Mainland China	50	50	Manufacture and sale of high fructose corn syrup

* Wholly-foreign-owned enterprise

All of the above investments in jointly controlled entities are indirectly held by the Company.

The following table illustrates the summarised financial information of the Group's jointly controlled entities:

	30 June 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Share of the jointly controlled entities' assets and liabilities:		
Current assets	**71,614**	68,962
Non-current assets	**17,314**	17,430
Current liabilities	**(27,815)**	(28,205)
Non-current liabilities	**(816)**	(815)
Net assets	**60,297**	57,372

11. INVESTMENT IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Share of the jointly controlled entities' results:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue	**37,312**	36,262
Other income	**316**	534
	37,628	36,796
Total expenses	**(37,201)**	(36,182)
Income tax expense	**(28)**	(69)
Profit after tax	**399**	545

12. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2011	2010
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**1,972,050**	1,772,939
Bills receivable	**311,288**	181,860
	2,283,338	1,954,799
Impairment	**(62,189)**	(33,811)
Total	**2,221,149**	1,920,988

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 long term business relationship and good credit history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

12. TRADE AND BILLS RECEIVABLES *(Continued)*

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 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Within 1 month	**711,239**	658,315
1 to 2 months	**360,762**	453,973
2 to 3 months	**296,941**	200,466
Over 3 months	**852,207**	608,234
Total	**2,221,149**	1,920,988

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

	2011 (Unaudited) *HK$'000*	2010 (Audited) *HK$'000*
At 1 January 2011/1 January 2010	**33,811**	56,835
Impairment losses recognised	**39,285**	17,093
Impairment losses reversed	**(9,733)**	(32,960)
Write-off	**(2,381)**	(7,901)
Exchange realignment	**1,207**	744
At 30 June 2011/31 December 2010	**62,189**	33,811

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

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Neither past due nor impaired	**1,719,082**	1,312,985
Less than 1 month past due	**36,315**	211,458
1 to 3 months past due	**17,826**	273,996
Over 3 months past due	**447,926**	122,549
Total	**2,221,149**	1,920,988

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.

12. TRADE AND BILLS RECEIVABLES *(Continued)*

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

13. 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 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Within 1 month	**443,266**	484,816
1 to 2 months	**74,029**	94,183
2 to 3 months	**54,003**	23,468
Over 3 months	**539,635**	155,853
Total	**1,110,933**	758,320

14. INTEREST-BEARING BANK LOAN AND OTHER BORROWINGS

Group	30 June 2011 Effective annual interest rate %	30 June 2011 Maturity	30 June 2011 (Unaudited) HK$'000	31 December 2010 Effective annual interest rate %	31 December 2010 Maturity	31 December 2010 (Audited) HK$'000
Current						
Bank loans – secured	6.1	2011	23,810	–	–	–
Bank loans – unsecured	4.38-6.39	2012	5,333,020	2.00-6.30	On demand/ 2011	4,074,613
Long term bank loans repayable on demand – secured	HIBOR+1.5/ HIBOR+2.4/ LIBOR+4.5	On demand	95,863	HIBOR+2/ HIBOR+3/ LIBOR+4.5/ 5.38/HIBOR	On demand	78,500
			5,452,693			4,153,113
Non-current						
Bank loans – secured	5.96-6.65	2015	119,607	5.96	2012	66,667
Bank loans – unsecured	4.86-7.26	2012-2020	2,686,309	5.31-6.57	2012-2020	4,145,402
Other loans – unsecured	–	2018-2019	12,798	–	2018-2019	12,356
			2,818,714			4,224,425
			8,271,407			8,377,538

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	5,452,693	4,153,113
In the second year	1,019,644	2,832,759
In the third to fifth years, inclusive	119,605	–
Beyond five years	1,666,667	1,379,310
	8,258,609	8,365,182
Other borrowings repayable:		
Beyond five years	12,798	12,356
	12,798	12,356
	8,271,407	8,377,538

14. INTEREST-BEARING LOAN AND BORROWINGS *(Continued)*

At 30 June 2011, the Group's bank loan amounting to HK$143,417,000 was secured by certain construction in progress and prepaid land lease payments with a carrying amount of approximately HK$59,839,000 (31 December 2010: HK$57,776,000) and trade receivables of approximately HK$22,534,000 (31 December 2010: Nil).

At 30 June 2011, the Group's bank borrowings were guaranteed by the Company and certain subsidiaries of the Group with amounts of approximately HK$7,071,919,000 (31 December 2010: HK$6,441,230,000) and approximately HK$849,523,000 (31 December 2010: HK$971,264,000), respectively.

15. GUARANTEED BONDS

On 6 May 2011, the Company entered into the subscription agreement with HSBC (as sole lead arranger and sole book runner) in connection with the issue of RMB450,000,000 of 7% guaranteed bonds due 2014. Certain subsidiaries of the Company will provide a guarantee for the payment of the bonds. After the approval for the listing and quotation of the bonds on the SGX-ST, the Company issued the bonds on 16 May 2011 in the aggregate principal amount of RMB450,000,000 (equivalent to HK$535,714,000) which will mature on 16 May 2014. The issue price of the bonds is 100% of the aggregate principal amount of the bonds.

The bonds will bear interest at the rate of 7.0% per annum, payable in arrears on 16 May and 16 November in each year, commencing on 16 November 2011. The net proceeds of the bonds issue, after deducting commission and expenses payable by the Company amounted to approximately HK$525,744,000.

16. PUT OPTION

On 20 May 2011, China Bio-chem Group, China Bio-chem Investments and Dacheng Bio-Tech, all being wholly-owned subsidiaries of the Company, entered into the Capital Increase Agreement with 長春宏成植物糖開發有限公司 ("the Investor"), pursuant to which the Investor agreed to make the Capital Contribution in the amount of RMB600 million in cash to the registered capital of Dacheng Bio-Tech. The Capital Contribution was completed on 24 June 2011.

Under the Capital Increase Agreement, China Bio-Chem Investments has agreed to grant to the Investor a put option in respect of the right to request China Bio-chem Investments to acquire from the Investor all (but not part) of the Investor's interests in the registered capital of Dacheng Bio-Tech then held by the Investor, at any time during the three calendar months commencing from the date falling on 22nd calendar month after the date of the Capital Increase Agreement, for cash at the consideration representing 125% of the amount of the registered capital of Dacheng Bio-Tech to be so acquired.

The directors of the Company consider that the put option held by the Investor contains an unavoidable obligation for the Group to purchase the equity interest of Dacheng Bio-Tech for cash, which gives arise to a financial liability. Such financial liability is initially recognised at the present value of the redemption amount and is subsequently stated at amortised cost. In addition, the directors of the Company have adopted an accounting policy to account for such type of transaction. This approach takes the view that the non-controlling interest continues to be recognised within equity until the put is exercised.

17. ISSUED CAPITAL

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

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Authorised:		
10,000,000,000 (31 December 2010: 10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,256,489,164 (31 December 2010: 3,246,389,164) ordinary shares of HK$0.10 each	**325,649**	324,639

18. SHARE-BASED PAYMENT

On 21 January 2011, the Company granted options to subscribe for 24.4 million of the Company's shares, in aggregate, to 28 employees (directors and senior management) of the Group. The exercise price of share options granted is HK$1.24 to subscribe for one ordinary share of HK$0.10 each of and in the share capital of the Company. The share options are exercisable upon granting within five years and have no other vesting conditions. The fair value of the options granted is estimated at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table presents the assumptions used to estimate the fair values of the share options granted in the periods presented:

Risk-free interest rate	1.5%
Dividend yield	4%
Expected volatility range	45%
Weighted average expected life	5

For the six months ended 30 June 2011, the Group has recognised HK$8,190,000 of share-based payment transactions expense in the income statement.

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting period.

At 30 June 2011, the banking facilities granted to the Company's subsidiaries secured by guarantees given to the banks by the Company were utilised to the extent of approximately HK$7,071,919,000 (31 December 2010: HK$6,441,230,460).

20. COMMITMENTS

The Group had capital commitments as follows:

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Contracted, but not provided for:		
Land premiums and leasehold buildings	**542,486**	563,820
Plant and machinery	**879,453**	597,262
Capital contributions	**227,021**	811,530
	1,648,960	1,972,612

21. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

During the period, the following related party transactions were noted:

		Six months ended 30 June	
	Notes	**2011 (Unaudited) *HK$'000***	2010 (Unaudited) *HK$'000*
Sales of corn starch to a jointly controlled entity	*(i)*	**28,507**	23,545
Purchase of corn sweeteners from a jointly controlled entity	*(i)*	**127**	—
Utility costs charged to a jointly controlled entity	*(ii)*	**4,961**	4,417

(i) The transactions with Cargill Shanghai, a jointly controlled entity in which the Group effectively holds a 50% equity interest, were made at prices which are comparable to the prices offered to other customers of the Group.

(ii) The utility costs were charged to Cargill Shanghai, a jointly controlled entity of the Group, based on the actual costs incurred.

21. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties

	30 June 2011 (Unaudited) *HK$'000*	31 December 2010 (Audited) *HK$'000*
Due from jointly controlled entities	**4,868**	3,335
Due to jointly controlled entities	**—**	(17,299)

The short term balances with jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. The balances approximate to their fair values.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2011 (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Short term employee benefits	**11,288**	9,630
Post-employment benefits	**42**	18
Equity-settled share option expense	**4,970**	—
Total compensation paid to key management personnel	**16,300**	9,648